

A REPORT
TO THE STOCKHOLDERS
OF
HUDSON AND MANHATTAN
RAILROAD COMPANY

SUBMITTED AT THE ANNUAL MEETING

APRIL 13th, 1910








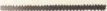
HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

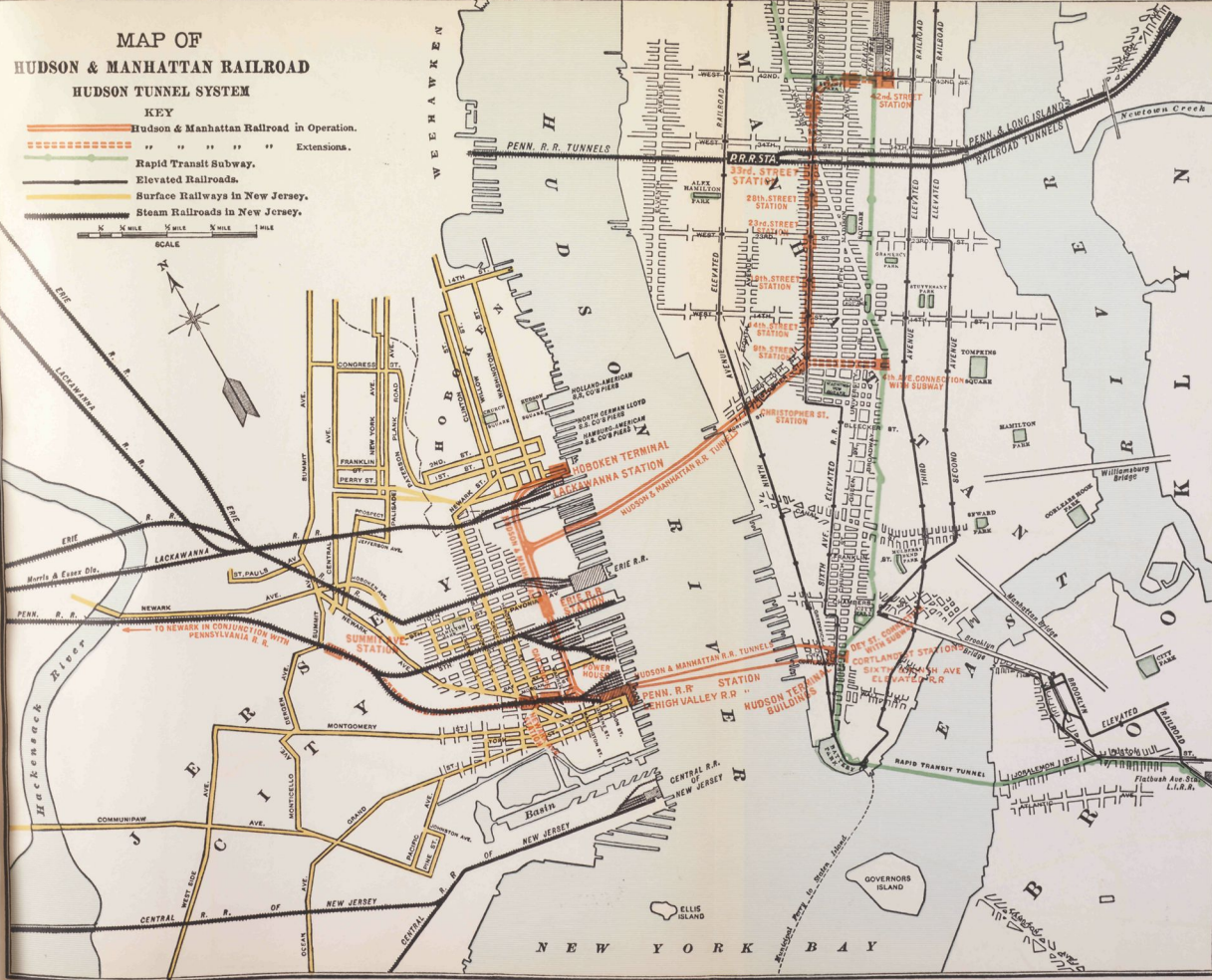
CORTLANDT, CHURCH, DEY AND FULTON STREETS

MAP OF HUDSON & MANHATTAN RAILROAD HUDSON TUNNEL SYSTEM

KEY

-  Hudson & Manhattan Railroad in Operation.
-  Extensions.
-  Rapid Transit Subway.
-  Elevated Railroads.
-  Surface Railroads in New Jersey.
-  Steam Railroads in New Jersey.

SCALE
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HUDSON AND MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

PLINY FISK	- - -	New York City	WILBUR C. FISK	- - -	New York City
WILLIAM G. McADOO	- - -	New York City	FREDERIC B. JENNINGS	- - -	New York City
ELBERT H. GARY	- - -	New York City	ANTHONY N. BRADY	- - -	New York City
JOHN G. McCULLOUGH	- - -	New York City	CHARLES W. KING	- - -	New York City
RICHARD W. MEIRS	- - -	Philadelphia, Pa.	FRANK O. BRIGGS	- - -	Trenton, N. J.
WILLIAM H. CORBIN	- - -	Jersey City, N. J.			

OFFICERS

WILLIAM G. McADOO	- - -	President	FREDERICK W. WALZ	- - -	Assistant Treasurer
WILBUR C. FISK	- - -	Vice-President	JAMES S. O'NEALE	- - -	Cashier
EDWIN T. MUNGER	- - -	General Superintendent	CHARLES W. KING	- - -	Secretary
OLIVER T. BOYD	- - -	General Passenger Agent	WILLIAM J. MARTIN	- - -	Assistant Secretary
HAMILTON S. CORWIN	- - -	Comptroller	WILLIAM EVERDELL, JR.	- - -	Assistant Secretary
FLETCHER H. SILLICK	- - -	Auditor	THEODORE P. ARTAUD	- - -	Auditor Traffic Receipts
					Purchasing Agent

ENGINEERING STAFF

CHARLES M. JACOBS	- - -	Consulting Chief Engineer
J. VIPOND DAVIES	- - -	Chief Engineer
JAMES FORGIE	- - -	Deputy Chief Engineer
LEWIS B. STILLWELL	- - -	Consulting Electrical Engineer
HUGH HAZELTON	- - -	Electrical Engineer
JOHN VAN VLECK	- - -	Consulting Mechanical Engineer

HUDSON TERMINAL BUILDINGS

KENYON B. CONGER	- - -	Real Estate Agent	R. E. M. HOWARD	- - -	Superintendent
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COUNSEL

STETSON, JENNINGS & RUSSELL	- - -	COLLINS & CORBIN
15 Broad Street, New York		243 Washington Street, Jersey City

ACCOUNTANTS

PATTERSON, THELE & DENNIS, Certified Public Accountants
30 Broad Street, New York

TRANSFER AGENTS AND REGISTRARS OF STOCK

HARVEY FISK & SONS, Bankers, 62 Cedar Street, New York

TRUSTEE UNDER MORTGAGE

STANDARD TRUST COMPANY OF NEW YORK
25 Broad Street, New York

GENERAL OFFICES

HUDSON TERMINAL BUILDINGS
30 CHURCH STREET NEW YORK

April 12th, 1910.

To the Stockholders of

HUDSON AND MANHATTAN RAILROAD COMPANY :

Your Company now has in operation a system of tunnels extending :—

(1) From Hoboken, New Jersey, southwardly through the Erie Railroad and Pennsylvania Railroad Stations, in Jersey City, and thence eastwardly under the Hudson River to the Hudson Terminal Station, on Church Street (one block west of Broadway) between Cortlandt, Fulton and Dey Streets, New York City. This is called the downtown section.

(2) From Hoboken, New Jersey, eastwardly under the Hudson River to Christopher Street, where connection is made with the Ninth Avenue Elevated line, and thence under Christopher Street to Sixth Avenue and under Sixth Avenue to Twenty-third Street and Sixth Avenue, New York City. This is called the uptown section.

The system connects in New Jersey with Pennsylvania Railroad, Erie Railroad, New York, Susquehanna & Western Railroad, Lehigh Valley Railroad, Delaware, Lackawanna & Western Railroad and all the surface electric railway lines terminating at Exchange Place and Pavonia Avenue, in Jersey City, and at Hudson Place, in Hoboken, N. J. It furnishes quick and frequent service between Hoboken and Jersey City and the uptown and downtown districts of Manhattan Island.

The entire system is double-tracked, each track being in separate tunnels, with no grade crossings, thus admitting of a high degree of efficiency in operation.

The uptown section from Hoboken, N. J., was opened for business on February 26, 1908, and the downtown section on July 19, 1909. It was not, however, until the Second day of August, 1909, that full service was established between Hoboken, N. J., and the Hudson Terminal, New York City.

TRAFFIC

As showing the rapid growth of traffic, the total number of passengers carried in the month of August, 1909, was 2,662,237, or an average of 85,846 per day; whereas the number of passengers carried for the month of March, 1910 was 4,398,017, or an average of 141,871 per day. The total number of passengers carried for the quarter ending March 31, 1910 is 12,410,573, indicating a total traffic for the year 1910, on the basis of the present operation, of more than 49,000,000 passengers. These figures may be exceeded, as the monthly traffic from the date of the opening of the road has shown a steady increase.

The system is now operated at a great disadvantage, so far as Jersey City local business is concerned, because the station facilities at Exchange Place are inadequate (it never having been intended that the Jersey City traffic should be permanently accommodated at this point) and because the Company hasn't enough side-tracks at present, for the storage of equipment, thus limiting, temporarily, the number of cars it can operate.

HENDERSON STREET AND NEWARK AVENUE STATION

The disadvantage as to Jersey City local traffic will be largely overcome with the completion, on or about August 1, 1910, of the important station at Henderson Street, Jersey City. This station is in the heart of the business district; it is located near the surface of the street, and will provide a far superior facility to the Exchange Place Station; it will also very materially reduce the time between the business centers of Jersey City and uptown and downtown New York. This station and the extension connecting it with the main tunnel system has been under active construction since the Summer of 1909, and will be completed about August 1, 1910, as before stated.

HENDERSON STREET CAR SHOPS AND STORAGE YARD

The disadvantage as to storage of equipment will be overcome also by the 1st of August, 1910, because, with the completion of the Henderson Street Station, the large storage yard and car shops located on the block adjoining said station, and bounded by Henderson, Steuben and Warren Streets and Railroad Avenue, containing approximately $3\frac{3}{4}$ acres, will be available. At or about that time fifty (50) additional steel cars, completely equipped, will be delivered, increasing the Company's rolling stock from 140 to 190 cars, and putting it in condition to take care of a largely increased business.

BROADWAY AND THIRTY-THIRD STREET EXTENSION

On or about October 1, 1910, the extension from Twenty-third Street under Sixth Avenue to Broadway and Thirty-third Street (Herald Square) will be completed. This will give the Company two new stations in New York, one at Twenty-eighth Street and Sixth Avenue, and the other at Broadway and Thirty-third Street. The latter will, with the exception of your Company's Hudson Terminal Station, be the most complete and satisfactory underground subway station yet built in New York. This station has large provision in the Gimbel Brothers' store and under the surface of Broadway, between Thirty-second and Thirty-third Streets, for the handling of baggage, mail and express matter, and for ticket offices of the Tunnel Company, as well as for trunk line railroad systems. When completed your Company will be in position to handle baggage, mail and express matter at the Thirty-third Street Station, as well as at the Hudson Terminal.

GRAND CENTRAL EXTENSION

With the completion of the line to Broadway and Thirty-third Street your Company will be in position to proceed with the construction of its extension to the Grand Central Station, for which a franchise was secured in May, 1909, and for which the consents of a majority of the abutting property owners have now been obtained.

NEWARK EXTENSION

The Henderson Street Station, in Jersey City, above referred to, forms a part of the High-Speed Line between New York and Newark. It will be necessary for your Company to construct only about two-thirds of a mile more of subway in Jersey City to effect a connection between your system and the present Main Line tracks of the Pennsylvania Railroad Company. By agreement with the Pennsylvania Railroad Company, a through service will be operated between the Hudson Terminal Station and a new station to be built by the Pennsylvania Railroad Company in the heart of the City of Newark. Your Company furnishes the track and facilities between the Hudson Terminal, New York, and Summit Avenue, Jersey City, and the Pennsylvania Railroad Company furnishes the track and facilities between Summit Avenue, Jersey City, and the new station in Newark. Each Company provides its pro-rata of the equipment, based upon mileage. When this line is in operation it will, by agreement with the Pennsylvania Railroad Company, handle the traffic of the Pennsylvania Company into downtown New York. Exchange of traffic between the two companies will be effected at Harrison, N. J. The completion and operation of this line will be of great value, since it will become, in effect, a part of the Pennsylvania Railroad System. It will develop a greatly increased traffic between Newark and New York, as well as between the Company's own stations in Jersey City, Hoboken and uptown and downtown New York.

It is of interest to note the following remarks of President James McCrea, of the Pennsylvania Railroad, in his recent annual report to the stockholders of the Pennsylvania Railroad Company :

"The downtown tunnels of the Hudson and Manhattan Railroad Company were opened for traffic on July 16th, and under agreements previously made, passengers to and from your lines have the option of using these rapid transit tunnels between your Jersey City Station and the terminal of that Company at Church and Cortlandt Streets, New York. This tunnel system will also be extended through Jersey City westward from your station to a point east of Summit Avenue, where connection will be made with your lines. Your railroad will be electrified from that connection to the new station at Harrison, N. J., and a new branch will be constructed from the latter point into Park Place, in the city of Newark. A joint rapid transit electric service will then be operated between the Hudson Company's Church Street Terminal, New York City, and Park Place Station, Newark. The new station at Harrison will provide the facilities for passengers desiring to transfer between this rapid transit line and all trains on your system.

"With all of these facilities provided it is felt that every reasonable requirement for the passenger service in and out of New York City will be fully met and that portions of the present tracks, terminal and ferry facilities will then also be available for freight traffic."

The operation by the Pennsylvania Railroad Company of its through Western and Southern service to its new terminal at Seventh Avenue and Thirty-second Street, New York, will not, in the opinion of your officers, adversely affect your Company. On the contrary, when the new High-Speed Line to Newark is in operation, your Company will receive a larger business from the Pennsylvania Railroad Company than it now does.

CAPACITY

Your Board of Directors has believed from the beginning that it was highly important to so construct your system of tunnels that large capacity for present and future traffic would be provided. Consequently, all grade crossings have been eliminated, commodious terminal facilities have been provided, and in all the features of your system large provision has been made for the future. The platforms of all stations have been built to accommodate eight-car trains. In this respect your system has a larger provision than the New York Subway, because the length of the local platform in the Subway is sufficient only for five-car trains, except at express stations. Your system is, in effect, a four-tracked railroad, and its total capacity, based upon eight-car trains operated on a minute and one-half headway during the rush hours, is 220,000,000 passengers per annum. At the present time your Company is using less than one-fourth of its estimated capacity. This reserve is an asset of real value, because your Company is able to take care of future growth for many years to come without additional expenditure.

In the construction of your system, the Terminal Stations have been made large enough to receive two additional tunnels under the Hudson River at Cortlandt and Fulton Streets, New York. It was necessary to construct the headings for these tunnels before the completion of the Hudson Terminal, in order that the new tunnels may be built without disturbing operation. This involved additional outlay, upon which the Company cannot receive any immediate return, but it is a wise provision for the future and is an element of value.

HUDSON TERMINAL

Your Terminal Station below grade has been designed and constructed upon a scale which will enable it to take care comfortably of the maximum estimated traffic of your system. It has five tracks and six platforms, with a loop operation, so that trains may be despatched upon the most frequent possible headway and with a minimum of time for loading and unloading. Passengers are discharged from one platform and are taken in from another, thus avoiding collision between incoming and outgoing passengers and reducing to a minimum the time within which a train may be loaded and unloaded. This station has a concourse below grade, containing approximately two acres of floor space. Here are ticket offices for the trunk line railroads, baggage facilities, waiting rooms, telephone and telegraph facilities, and all the other accessories of a first-class railroad terminal. In addition, booth space has been provided for various small shops and trades, a large percentage of which have been rented on a profitable basis.

Above the Terminal Station there have been erected two twenty-two story office buildings, containing approximately 25 acres of rentable floor space. These buildings were opened for business

on the first of May, 1908, since which time they have been highly successful. They are known as Nos. 30 and 50 Church Street, respectively. Notwithstanding the excessive amount of office space which has been provided by new buildings in the downtown district of New York in the past few years, the Terminal Buildings have been unusually favored. About 87 per cent. of the entire office space has been leased,—much of it for a long term of years,—to an exceptionally high grade of tenants.

Upon the opening of these buildings, it was deemed wise for the Company to assume leases of certain tenants who were taken from other office buildings. There seems to have existed a great deal of misinformation about these assumed leases. I may say that no more intelligent thing has been done by your management than the assumption of these leases. By so doing, your Company secured tenants for long terms of years, thus filling up the buildings, and at comparatively small cost. The total cost to your Company for leases so assumed will amount, for the year ending May 1st, 1911, to less than \$24,000 gross. When unoccupied space belonging to your Company in other buildings is rented, at market prices, there will be a further reduction of \$10,000 per annum in your Company's liability on assumed leases.

The gross rent roll from the Hudson Terminal Buildings for the year beginning May 1st, 1910, will approximate \$1,400,000. At the minimum schedule of rentals for the Terminal Buildings, \$200,000 of space remains unrented. In the opinion of your management, this will largely be disposed of during the coming year. Our experience with the Hudson Terminal Buildings is that rentals are being constantly made outside of what is commonly called the rental season.

GENERAL REMARKS

An interesting test of the capacity of the tunnels was had on the 28th day of February, 1910, when a heavy fog hung over the Hudson River for the entire day. Notwithstanding the small amount of equipment available, approximately 195,000 people were carried by the tunnels that day, with a maximum of only 137 cars in service. There was, of course, congestion during the rush hours, which would not have occurred if the Company had been in possession of more cars, but, in spite of that, the business was cared for with ease and despatch. The results are highly creditable to the Operating Department. At the same time, it demonstrates that your system, as laid out, constructed and equipped, has fully measured up to expectations.

There is an element of great strength in your property, in the fact that you have a short haul and a great density of traffic.

INTEREST

As important portions of your system are still under construction, and the operated portion represents only a part of the total capital expenditure and capacity, interest charges on bonded debt have been apportioned between operation and construction. There is now being charged to operation, interest on a total of \$45,028,000 bonds, and there is being charged to construction the interest on \$19,647,000 of bonds. With the extension of service over those parts of the line now under construction, the amount of interest charged to operation will be increased and that charged to construction will be reduced, so that the charge of interest to construction will progressively disappear. It is a universal practice to charge to construction the cost of money during the period of construction, and the division of this charge between operation and construction has been made on a basis which, in the opinion of your management, is sound and conservative.

AMORTIZATION RESERVES

Complying with the suggestions of the Public Service Commission of New York, we established, over a year ago, the practice of charging off and setting up depreciation and amortization reserves, with the result that, at March 31, 1910, in addition to actual expenditures, maintaining the property up to the highest point of efficiency, we had absorbed in operating expenses and set up a reserve of \$257,368.14, as shown in the balance sheet submitted herewith. Although a better showing of net earnings might be made by less conservative methods of accounting, we believe that future results will reflect the wisdom of the policy which has been adopted.

The quarter ending March 31, 1910, gives a fair idea of the earnings of your railroad as operated under present conditions, and without consideration of future growth and extensions. A report of the Comptroller, comprising a balance sheet at March 31, 1910, and an income statement for the quarter ending March 31, 1910, is herewith submitted.

Very respectfully,

W. G. McADOO,

President.

ARTHUR W. TEELE, C. P. A.
JOHN WHITMORE
HAMILTON S. CORWIN, C. P. A.
HAROLD F. LEEMING, C. A.
F. R. C. STEELE, C. A.
BOSTON

PATTERSON, TEELE & DENNIS
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK AND BOSTON

CABLE ADDRESS
"DIGNUS"

30 Broad Street, New York, April 25, 1910.

To the Bondholders and Stockholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

The books and accounts of Hudson and Manhattan Railroad Company as at present constituted were designed and installed by, and for over a year have been under the direct personal supervision of, a member of our firm. We certify, in the terms stated below, the Financial Statements published herewith.

The property accounts include the actual cash expenditures, capitalized at par, for additions to the property since it was turned over by the construction contractors, amounting to \$6,871,907.22. The expenditures for such capitalized additions include a portion of the fixed charges of the Company, resulting from a careful apportionment of such charges between operating and construction accounts, which in our opinion is sound and proper.

The material, supplies and disused construction plant have been inventoried by us, and the valuations placed upon them are the result of careful research and appraisal. We believe these valuations to be conservative and fully protected by reserves against contingencies.

The cash balances as stated are correct. The accounts receivable stated in the Balance Sheet are actually due to the Company from various sources, and we believe them to be collectible. Due provision has been made in the reserves for such as may be doubtful.

The account "Unamortized Discount on Bonds" represents a balance, not yet charged off, of discounts on bonds sold. It is being taken into operating expenses at a monthly rate which will absorb it during the life of the bonds.

The outstanding capital obligations have been verified. The tax accounts are set up subject to adjustments growing out of questions in connection with the special franchise tax and New York City rentals, which can not be determined at the present time. It is believed, however, that the total reserve for accrued taxes as herein reported is sufficient to meet the ultimate liabilities of the Company in these respects. All known current liabilities have been stated, and it is believed that the reserves fully cover such as have not yet been determined.

The reserve for amortization and upkeep of capital, amounting to \$257,368.14, as stated in the Balance Sheet, is in accordance with a plan filed by the officers of the Company with the Public Service Commission of New York.

PATTERSON, TEELE & DENNIS,
Certified Public Accountants.

HUDSON AND MANHATTAN RAILROAD COMPANY

(HUDSON RIVER TUNNEL SYSTEM)

ACCOUNTING DEPARTMENT

HAMILTON S. CORWIN
COMPTROLLER

FLETCHER H. SILICK
AUDITOR

WILLIAM EVERDELL, JR.
AUDITOR OF TRAFFIC RECEIPTS

HUDSON TERMINAL

30 CHURCH STREET

NEW YORK, April 12, 1910.

W. G. McAdoo, Esq., President,
Hudson and Manhattan Railroad Company,
30 Church Street, New York City.

Dear Sir :

Herewith I hand you the following statements of accounts of this Company as of March 31st, 1910 :

Condensed Balance Sheet.

Condensed Profit and Loss Account.

Condensed Income Statement for quarter ended March 31, 1910.

Condensed Comparative Income Statement for January, February and March, 1910.

Detailed Comparative Income Statement for January, February and March, 1910.

Condensed Comparative Income Statement for quarters ended September 30, 1909, December 31, 1909, and March 31, 1910.

Detailed Comparative Income Statement for quarters ended September 30, 1909, December 31, 1909, and March 31, 1910.

Respectfully submitted,

HAMILTON S. CORWIN,

Comptroller.

HUDSON AND MANHATTAN RAILROAD COMPANY

Condensed Balance Sheet

March 31, 1910

DEBITS

Property Accounts, including Work Under Construction	\$108,917,198.10
Materials and Supplies and Disused Construction Plant	767,628.60
Investment	1,000.00
Special Cash Deposit (Construction Fund)	1,608,997.97
Current Cash Account	188,467.40
Accounts Receivable	202,358.26
Deposits with Public Departments	37,620.16
Prepaid Insurance	39,134.44
Other Prepayments	19,912.48
Accounts in Suspense	13,927.03
Unamortized Discount on Bonds	820,097.87
Profit and Loss—Deficit	64,310.16
	<hr/> \$112,680,652.47

CREDITS

Common Capital Stock and Scrip	\$39,660,380.00
Preferred Capital Stock and Scrip	5,164,556.25
Stock Held in Reserve to Redeem Outstanding Securities of Constituent Companies	12,908.75
N. Y. & J. R. R. Co. 5% Bonds	5,000,000.00
H. & M. R. R. Co. 4½% Bonds	59,675,000.00
Real Estate Mortgage (Due April 30, 1910)	42,000.00
Deferred Car Purchase Installments	828,000.00
Current Accounts Payable	289,420.20
Accrued Bond Interest, Payable August 1, 1910	487,916.67
Accrued Car Interest, Payable September 1, 1910	3,450.00
Accrued Taxes, partly estimated	397,095.97
Jacobs & Davies, Current Account	36,914.21
Rentals Received in Advance	11,288.19
Contract Liabilities, not due	374,897.19
Material and Construction Plant Reserves	421,656.54
Amortization Reserve	257,368.14
Other Reserves	17,800.36
	<hr/> \$112,680,652.47

HUDSON AND MANHATTAN RAILROAD COMPANY
Profit and Loss Statement as at March 31, 1910

Balance Deficit at June 30, 1909, as previously reported	\$52,449.79
Debit Adjustments Applicable to Prior Periods	13,849.31
	<hr/> \$66,299.10
Credit Net Income, July 1, 1909, to March 31, 1910 (9 Months), after charging off interest and taxes applicable against that portion of the property employed in present operations as per income statements	 <hr/> \$ 1,988.94
Balance Deficit March 31, 1910, as per Balance Sheet	\$64,310.16

HUDSON AND MANHATTAN RAILROAD COMPANY

Condensed Statement of Income Quarter Ended March 31, 1910

Gross Revenue, all sources	\$976,654.86	
Operating Expenses and Taxes on Properties Employed in Operation . .	412,883.56	
Gross Income Applicable to Fixed Charges		\$563,771.30
Interest on Total Bonds Outstanding	714,320.56	
Less Interest Chargeable to Construction	201,505.56	
Balance, being Interest on Capital Employed in Operation and Chargeable against Income, viz: \$5,000,000 N.Y. & J. 5s, \$40,028,000 H. & M. 4½s	512,815.00	
Other Charges	49,910.39	
Total Deductions from Income		562,725.39
Net Income after Deduction of Fixed Charges Applicable against that portion of the Property Employed in Present Operations		1,045.91
Depreciation included above in Operating Expenses and set up in Amor- tization Reserves	31,928.25	

HUDSON AND MANHATTAN RAILROAD COMPANY

Condensed Comparative Statement of Income

	JANUARY 1910	FEBRUARY 1910	MARCH 1910
Gross Revenue all sources	\$324,669.95	\$309,276.65	\$342,708.26
Operating Expenses and Taxes on Properties Employed in Operation	142,779.61	129,101.59	140,982.36
Gross Income Applicable to Fixed Charges	181,870.34	180,175.06	201,725.90
Interest on Total Bonds Outstanding	228,850.00	243,165.33	242,305.21
Less Interest Chargeable to Construction	57,911.67	72,227.00	71,366.87
Balance, being Interest on Capital Employed in Operation and Chargeable against Income, viz: \$5,000,000 N. Y. & J. 5s, and \$40,028,000 H. & M. 4½s	170,938.33	170,938.33	170,938.34
Other Charges	13,217.11	17,630.39	19,062.89
Total Deductions from Income	184,155.44	188,568.72	190,001.23
Net Income after Deduction of Fixed Charges Applicable against that portion of the Property Employed in Present Operations. (<i>Note.—Italics Deficit</i>)	2,285.10	8,393.66	11,724.67
Depreciation included above in Operating Expenses and set up in Amortization Reserves	10,642.75	10,642.75	10,642.75

HUDSON AND MANHATTAN RAILROAD COMPANY

Comparative Statement of Income

Including Interest and Taxes Only on Capital Employed in Operation

	JANUARY 1910	FEBRUARY 1910	MARCH 1910
Gross Revenue—Passenger Fares	\$207,508.45	\$193,119.35	\$219,900.85
Miscellaneous Revenue from Railroad Operations:			
Advertising	4,846.25	6,357.56	7,061.15
Other Car and Station Privileges	3,666.31	2,050.40	2,266.12
Sale of Power	424.35	400.10	452.00
Miscellaneous Transportation Revenue . . . . .	.40	.40	26.70
Other Miscellaneous Revenue	24.00	229.83	242.83
Total Miscellaneous Railroad Revenue	8,961.31	9,037.49	10,048.80
Total Railroad Revenue	216,469.76	202,156.84	229,949.65
Operating Expenses of Railroad:			
Maintenance of Way and Structures { Actual	11,581.51	11,394.72	11,535.29
Reserve	4,842.50	4,842.50	4,842.50
Maintenance of Equipment { Actual	4,180.84	3,366.92	2,975.78
Reserve	2,466.75	2,466.75	2,466.75
Traffic Expenses	4,407.26	4,417.94	4,533.86
Transportation Expenses	53,532.83	46,940.88	51,517.61
General Expenses	9,819.63	5,483.40	13,494.20
Total Operating Expenses of Railroad	90,831.32	78,913.11	91,365.99
Net Revenue from Railroad Operation	125,638.44	123,243.73	138,583.66
Hudson Terminal Buildings:			
Gross Rentals	105,695.91	105,040.85	109,192.71
Miscellaneous Income	1,803.41	1,691.30	2,747.47
Total Revenue from Hudson Terminal Buildings	107,499.32	106,732.15	111,940.18
Less Assumed Leases in Other Buildings	1,915.86	1,885.65	1,985.65
	105,583.46	104,846.50	109,954.53
Less Maintenance and Operating Expenses { Actual	28,718.93	26,969.33	26,297.22
Reserve	3,333.50	3,333.50	3,333.50
Total Operating Expenses of Terminal Buildings	32,052.43	30,302.83	29,630.72
Net Revenue from Hudson Terminal Buildings	73,531.03	74,543.67	80,323.81
Income Greenwich and Tenth Street Properties (Net)	374.51	351.92	347.60
Total Net Revenue from Outside Operations	73,905.54	74,895.59	80,671.41
Total Net Revenue from all Operating Sources	199,543.98	198,139.32	219,255.07
Deduct Taxes Accrued on Properties Operated	18,000.00	18,000.00	18,000.00
Operating Income—(Revenue Over Expenses and Taxes)	181,543.98	180,139.32	201,255.07
Add Non-operating Income	326.36	35.74	470.83
Gross Income	181,870.34	180,175.06	201,725.90
Income Deductions:			
Interest on Total Bonds Outstanding	228,850.00	243,165.33	242,305.21
Less Interest Chargeable to Construction	57,911.67	72,227.00	71,366.87
Balance Being Interest on Capital Employed in Operation and Chargeable against Income, viz: \$5,000,000 N.Y. & J. 5s and \$40,028,000 H. & M. 4½s	170,938.33	170,938.33	170,938.34
Interest on Car Purchase Agreement		3,641.68	3,450.00
Rentals, City of New York	2,204.86	2,204.87	2,204.87
Rental Tracks, Yards and Terminals	10,931.07	10,399.46	11,877.37
Amortization of Debt Discount	81.18	1,384.38	1,530.65
Total Income Deductions	184,155.44	188,568.72	190,001.23
Net Corporate Income Carried to Surplus Account	2,285.10	8,393.66	11,724.67
Percentage of R. R. Operating Expenses vs. R. R. Revenue	41.96%	39.03%	39.73%
Percentage of R. R. Operating Expenses, Exclusive of Depreciation	38.59%	35.42%	36.55%
Number of Car Miles Operated (Active)	516,843	463,622	527,238
Total Revenue Per Car Mile from Railroad	41.88c.	43.61c.	43.61c.
Operating Expenses Per Car Mile	17.57c.	17.03c.	17.33c.
Net Revenue Per Car Mile	24.31c.	26.58c.	26.28c.
NOTE— Depreciation included in above Operating Expenses and set up in Amortization Reserves	\$10,642.75	\$10,642.75	\$10,642.75

(Note.—Italics Deficit or Deduction)

HUDSON AND MANHATTAN RAILROAD COMPANY

Condensed Comparative Statement of Income

	Quarter Ended Sept. 30, 1909	Quarter Ended Dec. 31, 1909	Quarter Ended March 31, 1910
Gross Revenue, all sources	\$685,574.51	\$900,728.37	\$976,654.86
Operating Expenses and Taxes on Properties in Operation	358,145.72	445,248.15	412,883.56
Gross Income Applicable to Fixed Charges	327,428.79	455,480.22	563,771.30
Interest on Total Bonds Outstanding	680,790.84	686,550.00	714,320.56
Less Interest Chargeable to Construction	364,350.84	286,235.01	201,505.56
Balance, being Interest on Capital Employed in Operation and Chargeable against Income. (<i>See note below</i>)	316,440.00	400,314.99	512,815.00
Other Charges	28,501.77	36,709.22	49,910.39
Total Deductions from Income	344,941.77	437,024.21	562,725.39
Net Income after Deduction of Fixed Charges Applicable against that portion of the Properties Employed in Operation. (<i>Note.—Italics Deficit</i>)	17,512.98	18,456.01	1,045.91
Depreciation included above in Operating Expenses and set up in Amortization Reserve	68,670.01	63,320.97	31,928.25

NOTE—As additional property has been put into operation, bond interest has been applied against income as follows:

July 1 to July 19 on \$13,512,000 Bonds.
 July 19 to Aug. 2 on \$18,691,000 Bonds.
 Aug. 2 to Sept. 20 on \$33,991,000 Bonds.
 Sept. 20 to Dec. 31 on \$35,028,000 Bonds.
 Jan. 1 to Mar. 31 on \$45,028,000 Bonds.

HUDSON AND MANHATTAN RAILROAD COMPANY

Comparative Statement of Income

Including Interest and Taxes Only on Capital Employed in Operation

	Quarter Ended Sept. 30, 1909	Quarter Ended Dec. 31, 1909	Quarter Ended March 31, 1910
Gross Revenue—Passenger Fares	\$361,398.45	\$550,764.55	\$620,528.65
Miscellaneous Revenue from Railroad Operations:			
Advertising	9,108.51	15,033.21	18,264.96
Other Car and Station Privileges	3,184.27	5,741.24	7,982.83
Sale of Power	626.95	1,187.55	1,276.45
Miscellaneous Transportation Revenue	44.83	82.11	26.70
Other Miscellaneous Revenue	36.67	93.27	496.66
Total Miscellaneous Railroad Revenue	13,001.23	22,137.38	28,047.60
Total Railroad Revenue	374,399.68	572,901.93	648,576.25
Operating Expenses of Railroad:			
Maintenance of Way and Structures { Actual	23,212.93	32,612.20	34,511.52
Reserve	27,100.07	25,497.80	14,527.50
Maintenance of Equipment { Actual	6,294.81	12,028.74	10,523.54
Reserve	19,866.19	17,572.26	7,400.25
Traffic Expenses	4,005.94	3,706.01	13,359.06
Transportation Expenses	100,444.98	168,675.10	151,991.32
General Expenses	15,171.95	17,230.69	28,797.23
Total Operating Expenses of Railroad	196,096.87	277,322.80	261,110.42
Net Revenue from Railroad Operation	178,302.81	295,579.13	387,465.83
Hudson Terminal Buildings:			
Gross Rentals	302,660.15	318,946.20	319,929.47
Miscellaneous Income	5,152.45	5,450.27	6,242.18
Total Revenue from Hudson Terminal Buildings	307,812.60	324,396.47	326,171.65
Less Assumed Leases in Other Buildings	5,970.72	5,988.63	5,787.16
	301,841.88	318,407.84	320,384.49
Less Maintenance and Operating Expenses { Actual	88,444.38	87,685.81	81,985.48
Reserve	21,703.75	20,250.91	10,000.50
Total Operating Expenses of Terminal Buildings	110,148.13	107,936.72	91,985.98
Net Revenue from Hudson Terminal Buildings	191,693.75	210,471.12	228,398.51
Income Greenwich and Tenth Street Properties (Net)	898.55	1,324.08	1,074.03
Total Net Revenue from Outside Operations	192,592.30	211,795.20	229,472.54
Total Net Revenue from all Operating Sources	370,895.11	507,374.33	616,938.37
Deduct Taxes Accrued on Properties Operated	45,930.00	54,000.00	54,000.00
Operating Income—(Revenue Over Expenses and Taxes)	324,965.11	453,374.33	562,938.37
Add Non-operating Income	2,463.68	2,105.89	832.93
Gross Income	327,428.79	455,480.22	563,771.30
Income Deductions:			
Interest on Total Bonds Outstanding	680,790.84	686,550.00	714,320.56
Less Interest Chargeable to Construction	364,350.84	286,235.01	201,505.56
Balance, Being Interest on Capital Employed in Operation and Chargeable against Income	316,440.00	400,314.99	512,815.00
Interest on Car Purchase Agreement			7,091.68
Rentals, City of New York	6,422.45	6,614.62	6,614.60
Rental Tracks, Yards and Terminals	21,916.96	29,851.04	33,207.90
Amortization of Debt Discount	162.36	243.56	2,996.21
Total Income Deductions	344,941.77	437,024.21	562,725.39
Net Corporate Income Carried to Surplus Account	17,512.98	18,456.01	1,045.91
Percentage of R. R. Operating Expenses vs. R. R. Revenue	52.38%	48.41%	40.26%
Percentage of R. R. Operating Expenses, Exclusive of Depreciation	34.03%	37.35%	36.88%
Number of Car Miles Operated (Active)	916,086	1,599,369	1,507,704
Total Revenue Per Car Mile from Railroad	40.87c.	35.82c.	43.02c.
Operating Expenses Per Car Mile	21.41c.	17.34c.	17.32c.
Net Revenue Per Car Mile	19.46c.	18.48c.	25.70c.
NOTE—Depreciation included in above Operating Expenses and set up in Amortization Reserves	\$68,670.01	\$63,320.97	\$31,928.25

(Note.—Italics Deficit or Deduction.)

ANNUAL REPORT
OF
HUDSON AND MANHATTAN
RAILROAD COMPANY

YEAR ENDED MARCH 31, 1911

Submitted at the Annual Meeting of the Stockholders, April 12, 1911



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON AND MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

PLINY FISK	-	-	New York City	WILBUR C. FISK	-	-	New York City
WILLIAM G. MCADOO	-	-	New York City	FREDERIC B. JENNINGS	-	-	New York City
ELBERT H. GARY	-	-	New York City	ANTHONY N. BRADY	-	-	New York City
JOHN G. McCULLOUGH	-	-	New York City	LEWIS L. CLARKE	-	-	New York City
RICHARD W. MEIRS	-	-	Philadelphia, Pa.	FRANK O. BRIGGS	-	-	Trenton, N. J.
WILLIAM H. CORBIN	-	-	-	-	-	-	Jersey City, N. J.

OFFICERS

WILLIAM G. MCADOO	-	-	President	EDWIN T. MUNGER	-	-	General Superintendent
WILBUR C. FISK	-	-	Vice-President	OLIVER T. BOYD	-	-	General Passenger Agent
WILLIAM EVERDELL, Jr.	-	-	Secretary	KENYON B. CONGER	-	-	Assistant Secretary
JAMES S. O'NEALE	-	-	Treasurer	FREDERICK W. WALZ	-	-	Assistant Treasurer
HAMILTON S. CORWIN	-	-	Comptroller	THEODORE P. ARTAUD	-	-	Purchasing Agent
FLETCHER H. SILICK	-	-	Auditor	LEON R. THURLOW	-	-	Auditor Traffic Receipts

ENGINEERING STAFF

CHARLES M. JACOBS	-	-	-	Consulting Chief Engineer
J. VIPOND DAVIES	-	-	-	Chief Engineer
JAMES FORGIE	-	-	-	Deputy Chief Engineer
LEWIS B. STILLWELL	-	-	-	Consulting Electrical Engineer
HUGH HAZELTON	-	-	-	Electrical Engineer

HUDSON TERMINAL BUILDINGS

KENYON B. CONGER	-	-	Real Estate Agent	R. E. M. HOWARD	-	-	Superintendent
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COUNSEL

STETSON, JENNINGS & RUSSELL
15 Broad Street, New York

COLLINS & CORBIN
243 Washington Street, Jersey City

ACCOUNTANTS

PATTERSON, TRELE & DENNIS, Certified Public Accountants
30 Broad Street, New York

TRANSFER AGENTS AND REGISTRARS OF STOCK

HARVEY FISK & SONS, Bankers, 62 Cedar Street, New York

TRUSTEE UNDER MORTGAGE

STANDARD TRUST COMPANY OF NEW YORK
25 Broad Street, New York

GENERAL OFFICES

HUDSON TERMINAL BUILDINGS
30 CHURCH STREET NEW YORK

HUDSON AND MANHATTAN RAILROAD COMPANY

New York, April 12, 1911.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

The President and Board of Directors submit the following report of the operations of the Company for the year ended March 31st, 1911.

Condensed Comparative Statement of Income

	YEAR ENDED MARCH 31, 1911	YEAR ENDED MARCH 31, 1910
Gross Revenue, all sources	\$4,165,492.27	\$3,051,486.59
Operating Expenses and Taxes on Operated Properties	1,850,440.15	1,464,222.66
Gross Income Applicable to Fixed Charges	\$2,315,052.12	\$1,587,263.93
Interest on Total Interest-Bearing Bonds Outstanding	\$2,918,007.91	\$2,464,811.38
Less Interest Chargeable to Construction	819,192.31	1,076,981.49
Balance, being Interest on Capital Employed in Operation and Chargeable against Income.	\$2,098,815.60	\$1,387,829.89
Other Charges	258,126.80	122,045.51
Total Deductions from Income	\$2,356,942.40	\$1,509,875.40
Net Income after Deduction of Fixed Charges Applicable against that portion of the Property Employed in Present Operations. (<i>Italics Deficit.</i>)	\$41,890.28	\$77,388.53
Depreciation included above in Operating Expenses and set up in Amortization Reserves	\$127,713.00	\$194,599.64
Percentage of R. R. Operating Expenses vs. R. R. Revenue . .	40.45%	47.80%
Percentage of R. R. Operating Expenses, Exclusive of Depreciation Reserves	37.20%	40.56%
Number of Revenue Car Miles Operated	6,592,271	4,483,961
Total Railroad Revenue per Car Mile	40.88c.	40.17c.
Railroad Operating Expenses per Car Mile	16.53c.	19.20c.
Net Railroad Revenue per Car Mile	24.35c.	20.97c.

Statements of Accounts and Statistics of the Company in detail will be found in the tables hereto annexed.

PHYSICAL CONDITION

The physical condition of the property has been maintained at the highest standard of efficiency. In August, 1910, the new station at Henderson and Grove Streets, Jersey City, was opened for business, and in November the extension from Twenty-third Street and Sixth Avenue to Broadway and Thirty-third Street was completed and put into operation. The car storage yard and repair shops at Henderson Street and Railroad Avenue, Jersey City, were completed in the fall of 1910, and now provide a much needed facility for the proper care and repair of equipment.

Broadway and Thirty-third Street Station :

The opening of this important terminal in the heart of the business, shopping and theatre districts of New York City has greatly improved your Company's position. At this station facilities are provided for the handling of baggage, mail and express matter, as has been done at the Hudson Terminal at Cortlandt and Church Streets, but these sources of revenue have not yet been tapped, and cannot well be until the connection with Newark (now under construction) is completed.

The Erie Railroad and the Lehigh Valley Railroad have each established ticket offices on the Concourse floor of the Thirty-third Street Station, and provision has also been made for ticket offices of other trunk lines.

Hudson Terminal Buildings :

The Hudson Terminal has become the most important traffic, business and office center in the downtown district of New York. These buildings have maintained their popularity, and there has been such a steady demand for space that on May 1, 1911, the beginning of the next "leasing year," the buildings will be 99 $\frac{8}{10}$ % rented.

The gross income from the buildings for the year ending May 1st, 1912, will be \$1,566,318, as against \$1,509,628 for the year ending May 1st, 1911. As all leases in office buildings begin on May 1st, it is necessary to make comparisons from that date. Rates have been maintained and the high character of the tenantry has been upheld. The amount payable for assumed leases for the year ending May 1st, 1912, will be only \$16,647.50.

Equipment :

Since the last report your Company has purchased fifty additional steel passenger cars, with full motor equipment, under a purchase agreement with the Guaranty Trust Company of New York, which Company has issued Car Purchase Certificates, "Series B," against this equipment. Orders for thirty-six more cars, this company's portion of the equipment to be used in the joint service to Newark, have been placed, and Car Purchase Certificates covering these will also be issued, with the same provision for semi-annual payments on account of principal.

NEW WORK

Newark Extension :

Work on your Company's portion of the joint high-speed line with the Pennsylvania Railroad to Newark has progressed satisfactorily, and it is expected that this service will be inaugurated during the summer of 1911. When the operation of this joint line begins it will provide an additional station of great importance to the Company at or near the Boulevard, Jersey City Heights. With an efficient rapid transit service connecting it with uptown and downtown centers of New York, this part of Jersey City will build up rapidly as a residential section. The Hudson Terminal will then become the downtown terminal of the Pennsylvania system. Trains will be scheduled from the Hudson Terminal to connect with the Pennsylvania trains at the Manhattan Transfer just east of Newark, and it is intended that all Pennsylvania Railroad traffic to the downtown district of New York shall be handled by this Company from the Manhattan Transfer through the Hudson Tunnels.

A new local station in the heart of Newark will be an important feature of this joint rapid transit line which will offer such advantages in the way of through and frequent service and quick time between Newark and its suburbs and New York that a large and continually increasing traffic may be confidently expected.

PROJECTED LINES

Forty-second Street—Grand Central Extension:

Construction has not yet begun on this extension, for which a franchise has been granted to your Company. The present uncertainty about the new subway lines in New York City presents a problem which makes it unwise to begin this work, or even satisfactorily prepare plans for it, until the city has reached a decision on the main subway question. In order to make it most useful and efficient for the purposes intended, this extension should dovetail with any new subways which may be built.

Ninth Street Extension:

This extension from Sixth Avenue to Fourth Avenue, under Ninth Street, is in somewhat of the same category as the Grand Central Extension. The Public Service Commission has extended the time for its construction until June 15th, 1913, before which time a definite course can be decided upon.

TRAFFIC

There has been a gratifying growth of traffic. For the year ended March 31st, 1911, the total number of passengers carried was 50,926,980 as against 34,574,815 for the year ended March 31st, 1910. This, however, is not a fair comparison, as the Cortlandt Street Tunnels (downtown lines) were not put into operation until July 19th, 1909. Traffic continues to show satisfactory increases over corresponding periods of the previous year in all cases in which the physical conditions were comparable. The number of passengers per mile of road operated for the year ended March 31, 1911, was 7,643,251, as against 6,799,373 for the preceding year, an increase of 12.4%. This represents a real growth, but as the ratio is based upon an average of miles operated (increasing as new portions were put into operation), it is not truly indicative of the normal increase of traffic to be expected. During September and October of both 1909 and 1910 the road was operated on practically the same mileage, and the traffic of the latter period showed an increase of 24% over that of the former.

OPERATING CONDITIONS

Satisfactory comparisons of the ratios of operating expenses to revenues cannot as yet be made. As from time to time new portions of your property have been put into operation, it has been the policy of the management to begin such operations with the maximum number of train crews, station and other employees which it was anticipated would be required. Such items, together with heavy expenses for preliminary testing and practice running, in order that the new services might begin smoothly and without interruption, have materially increased the operating expenses. Many reductions in the cost of operation have been made, however, and when the system is completed and the operation becomes more uniform, the ratios of operating expenses should show further decreases.

During the year covered by this report the Company has operated an average of 1808 trains per day, making a total of 6,592,271 revenue car miles in the year. Although these trains have been sent through the tunnels under a 90 second headway during rush hours and under a 2½ minute headway during the rest of the day, the percentage of trains on time was 99.46%.

ACCOUNTING

The report of the Auditor, showing the financial condition of the Company and various statements of accounts and statistics, are hereinafter submitted.

The accounts of the Company have been examined by Messrs. Patterson, Teele & Dennis, Certified Public Accountants, and their certificate as to the correctness thereof, as herein rendered, is attached hereto.

Interest :

As important portions of the system are still under construction and the operated portion represents only a part of the total capital expenditure and capacity, interest charges on bonded debt have been apportioned between operation and construction. There is now being deducted from operating income interest on a total of \$50,000,000 of bonds, and there is being charged to construction the interest on \$14,500,000 of bonds. With the extension of service over those parts of the line now under construction the amount of interest deductible from income will be increased, and the amount charged to construction will be reduced, so that the charge of interest to construction will progressively disappear. It is a universal practice to charge to construction the cost of money during the period of construction, and the division of this charge between operation and construction has been made on a basis which in the opinion of your management is sound and conservative.

Amortization Reserves :

As required by the regulations of the Public Service Commission, this Company has charged off and set up depreciation and amortization reserves, with a result that at March 31st, 1911, in addition to actual expenditures in maintaining the property at the highest point of efficiency, we have absorbed into operating expenses and set up a reserve of \$385,081.14 as shown in the balance sheet submitted herewith. A better showing of net earnings might have been made by less conservative methods of accounting, but we believe that future results will reflect the wisdom of the policy which has been adopted.

GENERAL REMARKS

Your property has been operated under the immediate direction and supervision of the Vice-President, Mr. Wilbur C. Fisk, with great skill and ability, and it is also a pleasure to bear testimony to the loyalty and zeal with which all of the officers and employees of the Company have discharged the duties assigned to them.

Respectfully submitted by order of the Board of Directors,

W. G. McADOO,
President.

ARTHUR W. TEELE, C. P. A.
JOHN WHITMORE
HAMILTON S. GORWIN, C. P. A.
HAROLD F. LEEMING, C. A.

F. R. C. STEELE, C. A.
BOSTON

PATTERSON, TEELE & DENNIS
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK AND BOSTON

CABLE ADDRESS
"DIGNUS"

30 Broad Street, New York, April 11, 1911.

To the Bondholders and Stockholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

The books and accounts of Hudson and Manhattan Railroad Company as at present constituted were designed and installed by, and for over two years have been under the direct personal supervision of, a member of our firm. We certify, in the terms stated below, the financial statements published herewith.

The property accounts include the actual cash expenditures for additions to the property since it was turned over by the construction contractors, amounting to \$13,172,205.73. The expenditures for such capitalized additions include a portion of the fixed charges of the Company, resulting from a careful apportionment of such charges between operating and construction accounts, which in our opinion is sound and proper.

The materials, supplies and disused construction plant were inventoried by us, and the valuations placed upon them are the result of careful research and appraisal. We believe these valuations to be conservative and fully protected by reserves against contingencies.

The cash balances as stated are correct. The accounts receivable stated in the balance sheet are actually due to the Company from various sources, and we believe they are collectible. Due provision has been made in the reserves for such as may be doubtful.

The account "Unamortized Discount on Bonds" represents a balance, not yet charged off, of discounts on bonds sold. It is being taken into operating expenses at a monthly rate which will absorb it during the life of the bonds.

The outstanding capital obligations have been verified. All tax accounts are set up in the full amounts of the assessments levied against the Company, although the special franchise taxes for the years 1908, 1909, 1910, as levied, are being contested in the courts. Any reductions that may be obtained will reduce the liabilities stated in the balance sheet. All other known liabilities have been set up and it is believed that the reserves fully cover such as have not yet been determined.

The reserve for amortization and upkeep of capital, amounting to \$385,081.14, as stated in the balance sheet, is in accordance with a plan filed by the officers of the Company with the Public Service Commission of New York.

PATTERSON, TEELE & DENNIS,
Certified Public Accountants.

HUDSON AND MANHATTAN RAILROAD COMPANY

OFFICE OF THE AUDITOR

NEW YORK, April 10th, 1911.

W. G. McADOO, Esq.,

President.

Dear Sir :

I submit herewith financial and operating tables and statistics showing the results of operations of the Hudson and Manhattan Railroad Company for the year ended March 31st, 1911, compared with those of the previous year as follows :

EXHIBIT	PAGE
1 Comparative Balance Sheet - - - - -	12
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3 Profit and Loss Account - - - - -	15
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7 Railroad Operating Revenues by Months - - - - -	20
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9 Traffic Statistics - - - - -	22
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11 Actual Mileage in Operation March 31, 1911 - - - - -	23
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14 Description of Car Equipment - - - - -	26
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16 Hudson Terminal Buildings—Income Account - - - - -	28

Very truly yours,

FLETCHER H. SILLICK,
Auditor.

EXHIBIT No. 1

COMPARATIVE BALANCE SHEET

A S S E T S

March 31st, 1910		March 31st, 1911
\$108,917,198.10	Property Accounts, including work under construction	\$115,217,496.61
767,628.60	Materials and Supplies and disused Construction Plant	723,288.29
1,000.00	Investment	1,000.00
1,608,997.97	Special Cash Deposits (Construction Fund)	213,368.14
188,467.40	Current Cash Account	219,605.39
202,358.26	Accounts Receivable	161,423.78
37,620.16	Deposits with Public Departments	13,907.66
39,134.44	Prepaid Insurance	28,954.34
19,912.48	Other Prepayments	24,555.26
13,927.03	Accounts in Suspense . . . . .	. . . . .
820,097.87	Deferred Charges—Unamortized bond discount and expense	1,905,860.38
64,310.16	Profit and Loss—Deficit	85,094.24
\$112,680,652.47	TOTAL ASSETS	\$118,594,554.09

EXHIBIT No. 1

MARCH 31st, 1911, AND MARCH 31st, 1910

L I A B I L I T I E S

March 31st, 1910		March 31st, 1911
\$ 39,660,380.00	Common Capital Stock and Scrip	\$ 39,994,890.00
5,164,556.25	Preferred Capital Stock and Scrip	5,242,151.25
12,908.75	Stocks held in reserve to redeem outstanding securities of constituent companies	12,908.75
5,000,000.00	New York and Jersey Railroad Co. First Mortgage 5% bonds	5,000,000.00
59,675,000.00	Hudson and Manhattan Railroad Co. First Mortgage 4½% bonds	64,379,000.00
42,000.00	Real Estate Mortgage	42,000.00
828,000.00	Deferred Installments on Car Purchase Agreement No. 1	736,000.00
.	Deferred Installments on Car Purchase Agreement No. 2	500,000.00
.	Loans Payable	350,000.00
289,420.20	Current Accounts Payable	274,143.98
487,916.67	Accrued Bond Interest Payable August 1st, 1911	477,133.95
3,450.00	Accrued Car Interest Payable September 1st, 1911, on Agreement No. 1 . . .	3,066.66
.	Accrued Car Interest Payable April 1st, 1911, on Agreement No. 2 . . .	12,500.00
397,095.97	Accrued Taxes	379,174.30
11,288.19	Rentals received in advance	18,391.92
411,811.40	Contract Liabilities, not due	377,149.21
421,656.54	Materials and Construction Plant Reserves	356,049.30
257,368.14	Amortization Reserve	385,081.14
17,800.36	Other Reserves	37,451.96
.	Accounts in Suspense	17,461.67
\$112,680,652.47	TOTAL LIABILITIES	\$118,594,554.09

EXHIBIT No. 2

INCOME ACCOUNT FOR YEAR ENDED MARCH 31, 1911
COMPARED WITH YEAR ENDED MARCH 31, 1910

1910		1911	
	\$1,728,740.75	GROSS REVENUE—PASSENGER FARES	\$2,546,349.00
		MISCELLANEOUS REVENUE FROM RAILROAD OPERATIONS:	
\$49,460.19		Advertising	\$ 106,607.10
18,977.40		Other Car and Station Privileges	30,835.31
3,090.95		Sale of Power	5,838.89
189.82		Miscellaneous Transportation Revenue	144.19
626.60		Other Miscellaneous Revenue	5,553.48
	72,344.96	TOTAL MISCELLANEOUS RAILROAD REVENUE	148,690.59
	\$1,801,085.71	TOTAL RAILROAD REVENUE	\$2,695,039.59
		OPERATING EXPENSES OF RAILROAD: (See Exhibit No. 6)	
\$102,292.10		Maintenance Way and Structures	\$143,652.68
80,314.17		{ Actual	
32,944.26		{ Reserve	58,110.00
50,004.03		Maintenance of Equipment	87,570.19
22,182.15		{ Actual	29,601.00
499,519.64		{ Reserve	
73,625.18		Traffic Expenses	40,490.21
		Transportation Expenses	639,670.48
		General Expenses	91,074.07
	860,881.53	TOTAL OPERATING EXPENSES OF RAILROAD	1,090,168.63
	\$940,204.18	NET OPERATING REVENUE FROM RAILROAD	\$1,604,870.96
	101,953.75	TAXES ON RAILROAD OPERATING PROPERTIES	167,461.64
	\$838,250.43	NET INCOME FROM RAILROAD OPERATION	\$1,437,409.32
\$734,896.76		NET INCOME FROM HUDSON TERMINAL BUILDINGS. (See Exhibit No. 16)	\$861,024.71
3,252.17		NET INCOME FROM GREENWICH AND TENTH ST. PROPERTIES	2,836.94
	738,148.93	TOTAL NET INCOME FROM OUTSIDE OPERATIONS	863,861.65
	\$1,576,399.36	TOTAL NET INCOME FROM ALL OPERATING SOURCES	\$2,301,270.97
	10,864.57	NON-OPERATING INCOME	13,781.15
	\$1,587,263.93	GROSS INCOME	\$2,315,052.12
		INCOME DEDUCTIONS:	
\$2,464,811.38		Interest on Total Interest Bearing Bonds	\$2,918,007.91
1,076,981.49		Less interest chargeable to Construction	819,192.31
		BALANCE being interest on capital employed in operation and chargeable against income	\$2,098,815.60
\$1,387,829.89		Interest on Car Purchase Agreements	48,200.00
7,091.68		Rentals, City of New York	49,788.59
25,325.80		Rental Tracks, Yards and Terminals	127,840.98
86,225.90		Amortization of Debt Discount	31,772.23
3,402.13		Interest on Real Estate Mortgage	525.00
	1,509,875.40	TOTAL INCOME DEDUCTIONS	2,356,942.40
	\$77,388.53	NET INCOME CARRIED TO CORPORATE SURPLUS ACCOUNT	\$41,890.28

NOTE—As additional property has been put into operation, bond interest has been applied against income as follows:
April 1st, 1909, to July 19th, 1909, on \$13,512,000 Bonds Sept. 20th, 1909, to Dec. 31st, 1909, on \$35,028,000 Bonds
July 19th, 1909, to Aug. 2nd, 1909, on \$18,691,000 Bonds Dec. 31st, 1909, to Dec. 31st, 1910, on \$45,028,000 Bonds
Aug. 2nd, 1909, to Sept. 20th, 1909, on \$33,991,000 Bonds Dec. 31st, 1910, to Mar. 31st, 1911, on \$50,000,000 Bonds

EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED MARCH 31, 1911

Balance, Deficit at March 31, 1910, as previously reported	\$64,310.16
Credit Adjustments Applicable to Prior Periods, Net	21,106.20
	<u>\$43,203.96</u>
Debit Net Deficit, Year ended March 31, 1911, after charging off	
interest and taxes applicable against that portion of the property	
employed in present operations (See Exhibit 2)	41,890.28
	<u></u>
Balance, Deficit March 31, 1911, as per Balance Sheet	\$85,094.24

EXHIBIT No. 4

BONDS OUTSTANDING, MARCH 31, 1911

CLASS OF BONDS	De-nom-ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount held in Trust to retire N. Y. & J. 1st Mort. Bonds at 110	Amount issuable for further construction only	Amount Outstanding	TRUSTEES
				Rate	Payable					
New York and Jersey R.R. Co., 1st Mort. .	\$1000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000	. . . . .	. . . . .	\$ 5,000,000	Guaranty Trust Co. of N. Y.
Hudson and Manhattan R.R. Co., 1st Mort.	1000	Feb. 1, 1907	Feb. 1, 1937	4½%	Feb. 1, Aug. 1	100,000,000	\$5,500,000	\$30,121,000	*64,379,000	Standard Trust Co. of N. Y.
						\$105,000,000	\$5,500,000	\$30,121,000	\$69,379,000	

* The purchaser of \$4,879,000 of Hudson and Manhattan 4½% bonds has agreed that prior to the beginning of operation of the Newark Extension this company shall not be required to pay interest on said \$4,879,000 of bonds except out of net earnings remaining after the payment of all other charges, and that during a period of two years after the beginning of operation of the Newark Extension, any portion of the interest on said \$4,879,000 of bonds which may not be earned may be paid in Preferred Stock of this company at par.

EXHIBIT No. 5

EQUIPMENT OBLIGATIONS OUTSTANDING, MARCH 31, 1911

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALL- MENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N. Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$506,220	\$736,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sep. 1	March 1, 1919
Guaranty Trust Co. of N. Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	162,500	500,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
				\$1,904,720	\$668,720	\$1,236,000					

EXHIBIT No. 6
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED MARCH 31, 1911 AND 1910

OPERATING REVENUES		1911	1910
Revenue from Transportation:			
Passenger Revenue		\$2,546,349.00	\$1,728,740.75
Miscellaneous Transportation Revenue		144.19	189.82
TOTAL REVENUE FROM TRANSPORTATION		\$2,546,204.81	\$1,728,930.57
Other Railroad Operating Revenues:			
Advertising Privileges		\$106,607.10	\$49,460.19
Other Car and Station Privileges		30,835.31	18,977.40
Sale of Power		5,838.89	3,090.95
Miscellaneous		5,553.48	626.60
TOTAL REVENUE OTHER THAN TRANSPORTATION		\$148,834.78	\$72,155.14
TOTAL RAILROAD OPERATING REVENUES		\$2,695,039.59	\$1,801,085.71
OPERATING EXPENSES			
Maintenance of Way and Structures:			
Superintendence		\$ 10,369.69	\$ 5,643.12
Ballast			13.44
Ties		1.63	
Rails		7,911.62	5,373.27
Rail Fastenings and Joints		782.46	525.81
Special Work		94.80	202.50
Roadway and Track Labor		13,755.07	8,036.38
Miscellaneous Roadway and Track Expenses		569.66	439.98
Care of Track		18,572.27	14,925.74
Tunnels			
Tunnel Structure		2,007.52	183.90
Ventilating System		2,727.38	1,195.99
Drainage System		18,759.10	19,236.89
Lighting System		3,490.45	1,677.94
Miscellaneous Expenses			257.75
Signal and Interlocking System		31,734.58	23,706.54
Telephone and Emergency Alarm System		2,714.17	2,518.95
Miscellaneous Maintenance of Way Expenses		1,716.70	879.66
Removal of Snow and Ice		305.13	
Transmission System		418.62	237.26
Distribution System			
Feeders		821.41	273.81
Track Bonding		635.68	143.96
Contact Rail		4,835.02	2,504.47
Miscellaneous Expenses		95.43	27.00
Miscellaneous Electric Line Expenses . . . . .		.31	18.29
Buildings and Structures			
Main Power House Building		308.79	62.06
Sub-station No. 1 Building		193.01	34.31
Car Shop Building		141.29	175.12
Stations, Waiting Rooms		20,690.89	13,994.71
Miscellaneous			3.25
Depreciation of Way and Structures		58,110.00	80,314.17
TOTAL		\$201,762.68	\$182,606.27
Maintenance of Equipment:			
Superintendence		\$ 7,100.80	\$ 6,091.24
Passenger Cars		39,188.95	11,056.76
Work Cars		67.34	118.69
Electric Equipment of Cars		8,899.00	6,414.32
Main Power House Equipment		21,260.57	4,098.96
Sub-station No. 1 Equipment		156.52	74.74
Sub-station No. 2 Equipment		289.29	28.55
Sub-station No. 3 Equipment		30.66	16.71
Car Shop Machinery and Tools		2,400.93	1,339.08
Car Shop Expenses		8,104.58	3,603.59
Miscellaneous Equipment Expenses		71.55	101.62
Depreciation of Equipment		29,601.00	50,004.03
TOTAL		\$117,171.19	\$82,948.29

EXHIBIT No. 6—Continued
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED MARCH 31, 1911 AND 1910

OPERATING EXPENSES — Continued		1911	1910
Traffic Expenses:			
Superintendence and Solicitation		\$ 6,578.58	\$ 5,432.58
Advertising		33,911.63	16,744.57
Miscellaneous Traffic Expenses			5.00
TOTAL		\$40,490.21	\$22,182.15
Transportation Expenses:			
Superintendence		\$ 39,680.94	\$ 27,636.66
Wages Main Power House Employees		69,392.93	60,277.88
Fuel for Main Power House		88,976.84	91,360.26
Water for Main Power House		7,773.77	5,816.16
Lubricants for Main Power House		1,535.93	2,041.50
Miscellaneous Supplies and Expenses Main Power House		3,589.18	1,763.38
Wages Sub-station No. 1 Employees		4,987.21	5,692.20
Supplies and Expenses Sub-station No. 1		302.32	361.88
Wages Sub-station No. 2 Employees		4,365.95	2,728.80
Supplies and Expenses Sub-station No. 2		250.41	140.49
Wages Sub-station No. 3 Employees		4,072.43	3,395.45
Supplies and Expenses Sub-station No. 3		360.12	244.12
Power Purchased		6.98	25,688.84
Other Operations—Credit		57,249.47	24,348.77
Wages Passenger Motormen		70,407.25	46,421.55
Wages Passenger Conductors		47,106.90	28,678.94
Wages Passenger Trainmen		60,244.20	36,008.80
Wages Other Car Service Employees		27,763.91	12,925.40
Train Supplies and Expenses		12,795.16	8,579.68
Wages Station Employees		168,552.33	106,892.80
Station Supplies and Expenses		11,533.26	9,809.17
Wages Car House Employees		33,873.81	22,432.74
Car House Supplies and Expenses		529.90	475.76
Operating Signal and Interlocking System		35,430.33	21,601.29
Operating Telephone System		3,243.30	2,822.85
Other Transportation Expenses		144.59	71.81
TOTAL		\$639,670.48	\$499,519.64
General Expenses:			
Salaries and Expenses General Officers		\$21,496.90	\$18,004.58
Salaries and Expenses General Office Clerks		18,255.48	13,387.35
General Office Supplies and Expenses		2,749.42	3,605.68
General Law Expenses		3,091.73	449.07
Stationery and Printing		3,631.52	4,904.36
Store Expenses		5,917.62	4,302.69
Insurance		2,422.84	1,382.47
Injuries and Damages		15,084.08	20,769.72
Law Expenses in connection with damages		1,347.75	20.00
Miscellaneous General Expenses		17,076.73	6,799.26
TOTAL		\$91,074.07	\$73,625.18
TOTAL RAILROAD OPERATING EXPENSES		\$1,090,168.63	\$860,881.53
NET RAILROAD OPERATING REVENUE		\$1,604,870.96	\$940,204.18
TAXES ON RAILROAD OPERATING PROPERTIES		167,461.64	101,953.75
OPERATING INCOME		\$1,437,409.32	\$838,250.43
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES		40.45 %	47.80 %
RATIO OF OPERATING EXPENSES (Exclusive of Depreciation) TO TOTAL OPERATING REVENUES		37.20 %	40.56 %
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES		46.66 %	53.46 %

EXHIBIT No. 7
RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED MARCH 31, 1911
AND TOTALS FOR YEAR ENDED MARCH 31, 1910

MONTHS	Passengers Carried	OPERATING REVENUES						Total Operating Revenue
		Passenger Revenue	Advertising	Other Car and Station Privileges	Sale of Power	Miscellaneous Revenue other than Transportation	Miscellaneous Transportation Revenue	
April 1910 . .	4,164,024	\$ 208,201.20	\$7,661.85	\$2,325.28	\$440.20	\$241.83		\$218,870.36
May " . .	4,183,039	209,151.95	7,827.10	2,245.88	466.00	248.33	\$100.40	220,039.66
June " . .	3,839,083	191,954.15	8,150.41	1,988.33	464.14	358.53	244.59	202,670.97
July " . .	3,368,186	168,409.30	7,937.46	1,949.80	470.50	892.91		179,659.97
August " . .	3,538,613	176,930.65	7,591.62	1,792.15	482.20	65.17		186,861.79
September " . .	3,798,226	189,911.30	8,070.04	1,858.83	457.55	317.71		200,615.43
October " . .	4,297,187	214,859.35	8,513.28	2,316.03	462.72	756.72		226,908.10
November " . .	4,533,339	226,666.95	9,057.34	2,465.25	501.23	536.50		239,227.27
December " . .	4,959,371	247,968.55	9,786.15	3,031.49	543.40	529.29		261,858.88
January 1911 . .	4,887,183	244,359.15	10,490.86	3,474.54	496.10	510.51		259,331.16
February " . .	4,410,851	220,542.55	10,689.47	3,682.48	499.75	532.87		235,947.12
March " . .	4,947,878	247,393.90	10,831.52	3,705.25	555.10	563.11		263,048.88
Totals year ended March 31, 1911	50,926,980	\$2,546,349.00	\$106,607.10	\$30,835.31	\$5,838.89	\$5,553.48	\$144.19	\$2,695,039.59
Totals year ended March 31, 1910	34,574,815	\$1,728,740.75	\$ 49,460.19	\$18,977.40	\$3,090.95	\$ 626.60	\$189.82	\$1,801,085.71
Increase	16,352,165	\$ 817,608.25	\$ 57,146.91	\$11,857.91	\$2,747.94	\$4,926.88		\$ 893,953.88
Per Cent. of Increase	47.3%	47.3%	115.5%	62.5%	88.9%			49.6%
Decrease							\$334.01	
Per Cent. of Decrease								

EXHIBIT No. 8
RAILROAD OPERATING EXPENSES, BY MONTHS, FOR YEAR ENDED MARCH 31, 1911
AND TOTALS FOR YEAR ENDED MARCH 31, 1910

MONTHS	OPERATING EXPENSES (Including Depreciation)						Net Operating Revenue	Ratio of Operating Expenses to Operating Revenue
	Maintenance of Way and Structures	Maintenance of Equipment	Traffic Expenses	Transportation Expenses	General Expenses	Total Operating Expenses		
April 1910 . .	\$16,148.97	\$5,609.78	\$4,206.01	\$45,065.56	\$7,837.40	\$78,867.72	\$140,002.64	36.03%
May " . .	14,310.33	6,206.40	4,559.52	46,181.71	6,663.15	77,921.11	142,118.55	35.41%
June " . .	14,713.45	6,858.70	4,966.48	44,788.74	8,448.34	79,775.71	122,895.26	39.36%
July " . .	13,315.83	7,395.39	3,838.54	43,732.52	5,374.96	73,657.24	106,002.73	41.00%
August " . .	15,825.00	8,154.98	3,876.64	44,752.02	6,346.45	78,955.09	107,906.70	42.25%
September " . .	15,786.81	8,317.71	4,612.30	50,743.08	6,725.70	86,185.60	114,429.83	42.96%
October " . .	17,905.53	9,556.79	2,064.54	53,049.45	6,263.79	88,840.10	138,068.00	39.15%
November " . .	17,624.70	9,406.91	3,648.48	58,746.59	8,688.98	98,115.66	141,111.61	41.01%
December " . .	17,830.60	11,558.70	2,969.61	68,688.71	8,652.24	109,699.86	152,159.02	41.89%
January 1911 . .	18,646.76	16,522.47	2,677.53	65,080.57	9,729.58	112,656.91	146,674.25	43.44%
February " . .	18,455.34	12,908.63	2,492.17	57,518.61	8,612.28	99,987.03	135,960.09	42.37%
March " . .	21,199.36	14,674.73	578.39	61,322.92	7,731.20	105,506.60	157,542.28	40.11%
Totals year ended March 31, 1911	\$201,762.68	\$117,171.19	\$40,490.21	\$639,670.48	\$91,074.07	\$1,090,168.63	\$1,604,870.96	40.45%
Totals year ended March 31, 1910	\$182,606.27	\$82,948.29	\$22,182.15	\$499,519.64	\$73,625.18	\$860,881.53	\$940,204.18	47.80%
Increase	\$19,156.41	\$34,222.90	\$18,308.06	\$140,150.84	\$17,448.89	\$229,287.10	\$664,666.78	
Per Cent. of Increase	10.5%	41.3%	82.5%	28.1%	23.7%	26.6%	70.6%	
Decrease								
Per Cent. of Decrease								7.35%

EXHIBIT No. 9

TRAFFIC STATISTICS FOR YEARS ENDED MARCH 31, 1911 AND 1910

	1911	1910
AVERAGE MILES OF ROAD OPERATED	6.663	5.085
NUMBER OF REVENUE CAR MILES OPERATED	6,592,271	4,483,961
PASSENGER REVENUE	\$2,546,349.00	\$1,728,740.75
MISCELLANEOUS RAILROAD REVENUE	148,690.59	72,344.96
GROSS RAILROAD OPERATING REVENUE	\$2,695,039.59	\$1,801,085.71
OPERATING EXPENSES (Excluding Taxes)	1,090,168.63	860,881.53
NET RAILROAD OPERATING REVENUE	\$1,604,870.96	\$940,204.18
Passenger Traffic :		
Number of Passengers Carried	50,926,980	34,574,815
Number of Passengers Carried per Mile of Road	7,643,251	6,799,373
Number of Passengers per Revenue Car Mile	7.73	7.71
Revenues and Operating Expenses :		
Passenger Revenue per Mile of Road	\$382,162.54	\$339,968.68
Gross Railroad Operating Revenue per Mile of Road	404,478.40	354,195.81
Operating Expenses (Excluding Taxes) per Mile of Road	163,615.28	169,298.23
Net Railroad Operating Revenue per Mile of Road	240,863.12	184,897.58
Passenger Revenue per Revenue Car Mile	\$0.3863	\$0.3855
Gross Railroad Operating Revenue per Revenue Car Mile	0.4088	0.4017
Operating Expenses (Excluding Taxes) per Revenue Car Mile	0.1653	0.1920
Net Railroad Operating Revenue per Revenue Car Mile	0.2435	0.2097
Passenger Revenue per Passenger	\$ 0.05	\$ 0.05
Gross Railroad Operating Revenue per Passenger	0.0529	0.0521
Operating Expenses (Excluding Taxes) per Passenger	0.0214	0.0249
Net Railroad Operating Revenue per Passenger	0.0315	0.0272

EXHIBIT No. 10

AVERAGE MILEAGE OPERATED DURING YEARS ENDED MARCH 31, 1911 AND 1910

	1911	1910
AVERAGE MILES OF SINGLE TRACK :		
In New York	5.785	4.871
In New Jersey	7.503	5.194
TOTALS	13.288	10.065
AVERAGE MILES OF ROAD :		
In New York	2.908	2.460
In New Jersey	3.755	2.625
TOTALS	6.663	5.085

EXHIBIT No. 11

ACTUAL MILEAGE IN OPERATION AT MARCH 31, 1911

MILES OF TRACK		
IN NEW YORK :		
Main Lines	6.318	
Sidings and Crossovers . . . . .	.771	
Total Track in New York		7.089
IN NEW JERSEY :		
Main Lines	8.193	
Sidings and Crossovers . . . . .	.335	
Car Yard and approach	1.908	
Total Track in New Jersey		10.436
Total Mileage all Tracks		17.525
MILES OF ROAD :		
In New York	3.19	
In New Jersey	4.06	
Total Miles of Road		7.25

EXHIBIT No. 12
STATISTICS OF TRAIN OPERATION FOR YEAR ENDED MARCH 31, 1911

	Daily Average Passenger Traffic	Daily Average Number of Trains	Total Revenue Car Mileage	Daily Average Revenue Car Mileage	Total Number of Train Delays	Total Time of Detention in Minutes	Average Time of Detention in Minutes	Average Time of Detention per Thousand Revenue Car Miles in Seconds	Percentage of Trains on Time
APRIL, 1910 . . .	138,801	1,490	503541	16784	31	97 min.	3 min.	11.56 sec.	99.47%
MAY	134,937	1,479	509348	16430	24	68 min.	2¾ min.	8.01 sec.	99.52%
JUNE	127,970	1,453	471960	15731	28	92 min.	3¼ min.	11.69 sec.	99.40%
JULY	108,651	1,443	446491	14402	20	64½ min.	3¼ min.	8.67 sec.	99.73%
AUGUST	114,149	1,453	451615	14568	25	199 min.	8¾ min.	26.44 sec.	99.67%
SEPTEMBER . . .	126,608	1,935	520368	17345	29	85½ min.	3 min.	9.86 sec.	99.55%
OCTOBER	138,620	2,044	548707	17700	32	100½ min.	3¼ min.	10.98 sec.	99.65%
NOVEMBER . . .	151,110	2,017	614876	20495	50	175 min.	3½ min.	17.08 sec.	99.34%
DECEMBER . . .	159,979	1,855	680011	21935	64	*417½ min.	6½ min.	36.83 sec.	98.37%
JANUARY, 1911 .	157,651	1,836	657157	21198	36	126 min.	3½ min.	11.54 sec.	99.19%
FEBRUARY	157,530	1,838	564551	20162	17	59 min.	3½ min.	6.27 sec.	99.75%
MARCH	159,609	1,839	623647	20117	7	28 min.	4 min.	2.69 sec.	99.87%

* 195 Minutes detention due to a fire in Main Power House, J. C., December 19, 1910.

EXHIBIT No. 13

RUNNING TIME OF TUNNEL TRAINS BETWEEN ALL STATIONS

RUNNING TIME IN MINUTES AND SECONDS BETWEEN ALL STATIONS OF HUDSON RIVER TUBES	Hudson Terminal, New York	Pennsylvania Station, Jersey City	Henderson Street, Jersey City	Erie Station (Pavonia Ave.), Jersey City	Hoboken (Lackawanna Railroad)	Christopher Street, New York	Ninth Street, New York	Fourteenth Street, New York	Nineteenth Street, New York	Twenty-third Street, New York	Twenty-eighth Street, New York	Thirty-third Street, Terminal
	M. S.	M. S.	M. S.	M. S.	M. S.	M. S.	M. S.	M. S.	M. S.	M. S.	M. S.	M. S.
Hudson Terminal, New York	—	3-00	5-00	5-40	9-00	11-30	13-00	14-30	15-50	17-00	18-10	19-30
Pennsylvania Station, Jersey City	3-00	—	1-40	2-20	5-40	8-10	9-40	11-10	12-30	13-40	14-50	16-10
Henderson Street, Jersey City	5-00	1-40	—	2-40	7-30	8-30	10-00	11-30	12-50	14-00	15-10	16-30
Erie Station (Pavonia Ave.), Jersey City	5-40	2-20	2-40	—	3-00	5-30	7-00	8-30	9-50	11-00	12-10	13-30
Hoboken (Lackawanna Railroad)	9-00	5-40	7-30	3-00	—	6-00	7-30	9-00	10-20	11-30	12-40	14-00
Christopher Street, New York	11-30	8-10	8-30	5-30	6-00	—	1-10	2-40	4-00	5-10	6-20	7-40
Ninth Street, New York	13-00	9-40	10-00	7-00	7-30	1-10	—	1-10	2-30	3-40	4-50	6-10
Fourteenth Street, New York	14-30	11-10	11-30	8-30	9-00	2-40	1-10	—	1-00	2-10	3-20	4-40
Nineteenth Street, New York	15-50	12-30	12-50	9-50	10-20	4-00	2-30	1-00	—	0-50	2-00	3-20
Twenty-third Street, New York	17-00	13-40	14-00	11-00	11-30	5-10	3-40	2-10	0-50	—	0-50	2-10
Twenty-eighth Street, New York	18-10	14-50	15-10	12-10	12-40	6-20	4-50	3-20	2-00	0-50	—	1-00
Thirty-third Street Terminal	19-30	16-10	16-30	13-30	14-00	7-40	6-10	4-40	3-20	2-10	1-00	—

EXHIBIT No. 14
DESCRIPTION OF CAR EQUIPMENT

Steel Passenger Cars with Motors	190
Steel Baggage Cars	2
Steel Derrick Car with Motor	1
Flat Cars	2

DIMENSIONS OF PASSENGER CARS

Length over all	48 feet	0 inches
Width over all	8 "	11 ⁸ / ₁₆ "
Height over all	12 "	0 "
Seating Capacity	44 persons	

EXHIBIT No. 15
DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT

	CAPACITY
4 Turbo Units A. C.	18,000 K.W.
8 Water Tube Boilers	} 7,200 H.P.
8 Superheaters.	
8 Economizers.	
10 Rotary Converters	15,000 K.W.
30 Transformers	16,500 K.W.
Transmission Cables	11,000 Volt A.C.
Distribution Cables	600 Volt D.C.

INTERESTING FACTS CONCERNING HUDSON RIVER TUNNELS

Ballast	Crushed Stone and Concrete
Ties	White Oak
Steel Rail	85 lbs. to Yard, A. S. C. E.
Inside Diameter of Iron Tunnel Rings	15 Feet 3 Inches
Total Weight of Iron Rings	111,000 Tons
Total Amount of Cement Used for Concrete Construction	925,000 Barrels
Deepest Point in Tunnel Below Surface of River	101 Feet
Average Thickness of Cover Between Top of Tunnel and Bed of River	25 Feet

EXHIBIT No. 16

**HUDSON TERMINAL BUILDINGS REVENUES, EXPENSES AND TAXES FOR
THE YEARS ENDED MARCH 31, 1910 AND 1911**

1910			1911	
		OPERATING REVENUES:		
	\$1,214,926.44	GROSS RENTALS		\$1,428,502.90
		MISCELLANEOUS REVENUES:		
\$6,343.92		Sale of Electric Current	\$8,233.53	
8,503.70		Sale of Refrigeration	8,246.60	
2,914.85		Ice Privilege	3,712.83	
963.16		Towel Privilege	2,115.37	
2,632.07		Other Miscellaneous Revenues	3,023.36	
	21,357.70	TOTAL MISCELLANEOUS REVENUES		25,331.69
	\$1,236,284.14			\$1,453,834.59
	31,949.48	Less Assumed Leases in other Buildings . .		21,723.83
	\$1,204,334.66	NET TOTAL OPERATING REVENUES		\$1,432,110.76
		OPERATING EXPENSES:		
\$ 26,462.68		Maintenance of Structures and Plant . . .	\$ 36,985.02	
236,684.36		Expenses of Operation	255,494.78	
70,475.33		General Expenses	82,648.85	
			\$375,128.65	
\$333,622.37		Depreciation of Buildings and Plant . . .	40,002.00	
64,281.44				
	397,903.81	TOTAL OPERATING EXPENSES		415,130.65
	\$806,430.85	NET OPERATING REVENUE		\$1,016,980.11
	71,534.09	TAXES		155,955.40
	\$734,896.76	NET INCOME FROM HUDSON TERMINAL BUILDINGS		\$861,024.71
33.04%	Ratio of Operating Expenses to Net Total Operating Revenues.			28.99%
27.70%	Ratio of Operating Expenses, exclusive of Depreciation, to Net Total Operating Revenues.			26.19%

INTERESTING FACTS CONCERNING HUDSON TERMINAL BUILDINGS

(LARGEST OFFICE BUILDINGS IN THE WORLD)

FLOORS ABOVE STREET LEVEL	22
FLOORS BELOW STREET LEVEL	4
SQUARE FEET RENTABLE AREA	877,900
SQUARE FEET RENTED AREA (99 $\frac{8}{10}$ PER CENT.)	871,755
NUMBER OF ELEVATORS	39
NUMBER OF ROOMS	4,500
NUMBER OF LEASEHOLDERS	900
ESTIMATED POPULATION OF THE BUILDINGS	10,000

THE FOLLOWING WELL-KNOWN CORPORATIONS HAVE OFFICES IN THE HUDSON TERMINAL BUILDINGS:

American Brake Shoe & Foundry Company	General Electric Company
American Bridge Company	Harlan & Hollingsworth Corporation
American Locomotive Company	Kinsman Block System Company
American Steel Foundries Company	New York Life Insurance Company
Armour & Company	New York Telephone Company
Barber Asphalt Paving Company	Railway Steel Spring Company
Carbon Steel Company	Rogers, Brown & Company
Chicago Pneumatic Tool Company	Sherwin-Williams Company
Corn Exchange Bank (Terminal Branch)	Southern Railway Company
Crocker-Wheeler Company	Union Switch & Signal Company
Franklin Railway Supply Company	United States Steel Corporation
Erie Railroad Company	Wells Fargo & Company

United States Post Office (Terminal Branch)

THE FOLLOWING RAILROADS HAVE TICKET OFFICES ON THE CONCOURSE FLOOR OF THE HUDSON TERMINAL:

Pennsylvania Railroad Company	Erie Railroad Company
Lehigh Valley Railroad Company	New York, Susquehanna & Western Railroad Co.

CLUBS:

Railroad Club of New York, 21st and 22d Floors of Cortlandt Building, 30 Church Street
Machinery Club of New York, 21st and 22d Floors of Fulton Building, 50 Church Street



ANNUAL REPORT
OF
HUDSON AND MANHATTAN
RAILROAD COMPANY

YEAR ENDED MARCH 31, 1912



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON AND MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WILLIAM M. BARNUM	-	New York City	ELBERT H. GARY	-	New York City
FRANK O. BRIGGS	-	Trenton, N. J.	FREDERIC B. JENNINGS	-	New York City
LEWIS L. CLARKE	-	New York City	WILLIAM G. McADOO	-	New York City
PLINY FISK	-	New York City	JOHN G. McCULLOUGH	-	New York City
WILBUR C. FISK	-	New York City	RICHARD W. MEIRS	-	Philadelphia, Pa.
		WALTER G. OAKMAN	-	-	New York City

GENERAL OFFICERS

WILLIAM G. McADOO	-	-	President	LEON R. THURLOW, Sec. & Aud.	Traffic Receipts		
WILBUR C. FISK	-	-	Vice-President & Gen'l M'g'r	JAMES S. O'NEALE	-	-	Treasurer
HAMILTON S. CORWIN	-	-	Comptroller	OLIVER T. BOYD	-	-	Assistant General Manager
FLETCHER H. SILICK	-	-	Auditor	THEODORE P. ARTAUD	-	-	Purchasing Agent

OPERATING OFFICIALS

EDWIN T. MUNGER	-	General Superintendent	C. S. KLUMPP	-	Superintendent of Way
JOHN F. O'ROURKE	-	Sup't of Transportation	DARROW SAGE	-	Chief Engineer Power House
P. V. SEE	-	Superintendent Car Equipment	M. H. COLLINS	-	Supervisor of Signals

ENGINEERING STAFF

CHARLES M. JACOBS	-	Consulting Chief Engineer	LEWIS B. STILLWELL	-	Consulting Elect'l Eng'r
J. VIPOND DAVIES	-	Chief Engineer	HUGH HAZELTON	-	Electrical Engineer
JAMES FORGIE	-	-	-	-	Deputy Chief Engineer

HUDSON TERMINAL BUILDINGS

KENYON B. CONGER	-	Real Estate Agent	THEODORE P. ARTAUD	-	Superintendent
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COUNSEL

STETSON, JENNINGS & RUSSELL
15 Broad Street, New York

ATTORNEYS

COLLINS & CORBIN, Jersey City
WILLIAM D. EDWARDS, Jersey City

ACCOUNTANTS

PATTERSON, TERLE & DENNIS, Certified Public Accountants
30 Broad Street, New York

TRANSFER AGENTS AND REGISTRARS OF STOCK

HARVEY FISK & SONS, Bankers, 62 Cedar Street, New York

TRUSTEES UNDER MORTGAGES

STANDARD TRUST COMPANY OF NEW YORK
25 Broad Street, New York

GUARANTY TRUST COMPANY OF NEW YORK
31 Nassau Street, New York

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK

HUDSON AND MANHATTAN RAILROAD COMPANY

NEW YORK, April 30th, 1912.

To the Stockholders of the

HUDSON AND MANHATTAN RAILROAD COMPANY:

The fiscal year of your Company ends on the 31st day of March of each year. On account of the short time intervening between that date and the date of the annual meeting of the stockholders, it was impossible for the Accounting Department to prepare full statements of accounts and detailed statistics in time for the annual meeting. It is therefore recommended that in future the fiscal year of the Company be made to end on the 31st day of December instead of the 31st day of March.

The following is a condensed comparative statement of income for the years ended March 31st, 1912 and March 31st, 1911.

Condensed Comparative Statement of Income

	YEAR ENDED MARCH 31, 1912	YEAR ENDED MARCH 31, 1911
Gross Revenue, all sources	\$4,845,490.60	\$4,165,492.27
Operating Expenses and Taxes	2,096,016.83	1,850,440.15
Gross Income Applicable to Fixed Charges	<u>\$2,749,473.77</u>	<u>\$2,315,052.12</u>
Interest on Total Interest-Bearing Bonds Outstanding	\$2,951,427.27	\$2,918,007.91
Less Interest Chargeable to Construction	535,984.56	819,192.31
Balance, being Interest on Capital Employed in Operation and Chargeable against Income	\$2,415,442.71	\$2,098,815.60
Other Charges	283,751.69	258,126.80
Total Deductions from Income	<u>\$2,699,194.40</u>	<u>\$2,356,942.40</u>
Net Income after Deduction of Fixed Charges Applicable against that portion of the Property Employed in Present Operations. (<i>Italics Deficit.</i>)	<u>\$50,279.37</u>	<u><i>\$41,890.28</i></u>
Percentage of R. R. Operating Expenses vs. R. R. Revenue	37.91%	40.45%
Percentage of R. R. Operating Expenses, Exclusive of Depreciation Reserves	35.19%	37.20%
Number of Revenue Car Miles Operated	7,335,733	6,592,271
Total Railroad Revenue per Car Mile	43.90c.	40.88c.
Railroad Operating Expenses per Car Mile	16.65c.	16.53c.
Net Railroad Revenue per Car Mile	27.25c.	24.35c.

The report of the Auditor, showing the financial condition of the Company and various statements of accounts and statistics, are hereinafter submitted.

The accounts of the Company have been examined by Messrs. Patterson, Teele & Dennis, Certified Public Accountants, and their certificate as to the correctness thereof, as herein rendered, is attached hereto.

Physical Condition

The property of the company has been maintained during the year at the same high standard of efficiency. Outside of the completion of your Company's portion of the high speed line to Newark, New Jersey, no new work was undertaken during the year except the construction of an additional platform at the Erie Station, where the increase of traffic and the necessity for improvement in operating conditions made an additional platform essential. This work has been begun and should be completed during the Summer of 1912.

Newark Rapid Transit Line

On April 18, 1906, your company and the Pennsylvania Railroad Company entered into an agreement for the establishment of a joint through train service between the Hudson Terminal and a new station to be built by the Pennsylvania Railroad Company in Newark. Each company furnishes the track and facilities for its part of the line and its proportion of equipment for its operation, and the earnings and expenses are prorated on an equitable basis.

On the 1st of October, 1911, the first trains began to run between the Hudson Terminal and Manhattan Transfer, and on the 26th of November, 1911, the service was extended into the new station at Park Place, Newark. Since then the Pennsylvania Railroad Company has discontinued a large number of its steam trains between Manhattan Transfer and its old station at Exchange Place, in Jersey City. All Pennsylvania Railroad trains to the downtown section of New York are now scheduled to and from the Hudson Terminal, which has become, in effect, the downtown New York terminal of the Pennsylvania System. One of the important stations on this line, namely, at Summit Avenue, Jersey City, has not yet been completed, but a temporary facility at that point was opened for public use on the 14th of April, 1912. It is expected that the permanent station (which, under the agreement, is being built by the Pennsylvania Railroad Company) will be completed about the 1st of August, 1912. The Public Service Corporation, of New Jersey, is building a commodious and excellent terminal adjacent to the Summit Avenue station, and purposes to operate a large number of its existing lines to that point. Under this plan a new and distinctively advantageous service between the residential district of Jersey City and downtown and uptown New York will be provided. It will put this district within eight minutes of the Hudson Terminal and within nineteen and one-half minutes of 33rd Street and Broadway, giving it a marked advantage in point of time and convenience of access over any other residential district in and around the principal centers of New York City, which should result in a rapid growth of the entire Bergen Hill section of Jersey City. The Newark Rapid Transit Line also provides a frequent and rapid through train service to New York, the running time from Park Place, Newark, to Hudson Terminal being only twenty minutes. Its effect upon the future of Newark will be more pronounced as time goes on. The traffic results have thus far been entirely satisfactory and give promise of large future growth.

Car Equipment

On August 1st, 1911, your company purchased thirty-six additional steel passenger cars, being its portion of the equipment required for the joint service to Newark, under a purchase agreement with the Guaranty Trust Company of New York, which company has issued its Car Purchase Certificates, Series C, against this equipment. The principal is payable in semi-annual instalments upon a similar plan to that of Series A and Series B, Car Purchase Certificates, heretofore issued.

Hudson Terminal

The value and importance of the Hudson Terminal has increased during the year. The office buildings have retained their popularity to such an extent that all available space was rented during the year. The demand for space has exceeded the supply.

In order to meet this demand and to more fully protect the buildings on the west, it was considered desirable to purchase from Hudson Companies additional real estate between Dey and Cortlandt Streets, adjoining No. 30 Church Street on the west, and an additional lot on Dey Street, adjoining No. 50 Church Street on the west, and to erect thereon two six story structures. The work was begun in the Fall of 1911, and the buildings will be ready for occupancy on or about May 1st, 1912. Eighty-five per cent. (85%) of the space in these additions has been rented, and it is expected

that they will be fully occupied before the end of the next fiscal year. On the basis of cost of land and buildings, the Company will receive a net income more than sufficient to carry them, and at the same time, the light of the main buildings has been satisfactorily protected.

Projected Lines

No work has yet been begun on the Grand Central Extension or the Ninth Street Extension, these being in the same position as stated in the last annual report. It would be unwise to determine upon the final plans for these extensions or to do any work upon them until the general subway plans for the City of New York have been definitely settled.

Seven Cent Fare

In November, 1911, your Directors reached the conclusion that it would be advisable to increase the rate of fare on the uptown line from 5c. to 7c. Accordingly, a tariff was filed with the Interstate Commerce Commission, at Washington, and the new rate became effective on the 24th of December, 1911, with satisfactory results.

Interest

Carrying out the policy heretofore adopted, of charging against income a larger proportion of interest on the company's debt as new additions, extensions and facilities were put into operation, there has been charged against income for the months of January, February and March, interest on \$60,000,000 of funded debt, as against \$50,000,000 for the same months of 1911. Beginning with April 14th, 1912, the date of the opening of the Summit Avenue Station, there will be charged against operating income, interest on \$65,000,000 of outstanding bonds. There are outstanding an additional \$6,423,000 of first mortgage 4½% bonds, but, by agreement with Hudson Companies, the owner of these bonds, no interest is to be paid thereon until February 1st, 1914, after which time said bonds will bear interest at 4½% per annum until maturity and will receive an additional 2% per annum to February 1st, 1920, if and to the extent that said additional 2% may be earned. A detailed statement of funded debt will be found on page 14, Exhibit 4.

Amortization Reserves

There has been charged off, as part of operating expenses, and accrued as a depreciation and amortization reserve up to the 31st of March, 1912, in addition to actual expenditure for maintaining the property at the highest point of efficiency, the sum of \$512,794.14.

General Remarks

The traffic for the year has shown a gratifying increase over the previous year.

The total number of 5c. fares collected was 57,416,950

The total number of 2c. fares collected was 7,927,941

(The 2c. rate had been in effect for three months and eight days.)

Equating the 2c. fares on a 5c. basis, makes the total number of passengers carried on a 5c. basis, for the fiscal year ending March 31st, 1912	60,588,126
Passengers carried on a 5c. basis for the fiscal year ending March 31st, 1911	50,926,980
Increase	9,661,146

It is a pleasure to again make acknowledgment of the faithful and efficient service rendered by the officers and employees of the Company.

W. G. McADOO,
President.

ARTHUR W. TEELE, C. P. A.
JOHN WHITMORE
HAMILTON S. CORWIN, C. P. A.
HAROLD F. LEEHMAN, C. A.
F. R. C. STEELE, C. A.
BOSTON

PATTERSON, TEELE & DENNIS
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK AND BOSTON

CABLE ADDRESS
"DIGNUS"

30 Broad Street, New York, April 30th, 1912.

To the Bondholders and Stockholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

The books and accounts of Hudson and Manhattan Railroad Company as at present constituted were designed and installed by, and for over three years have been under the direct personal supervision of, a member of our firm. We certify, in the terms stated below, the financial statements published herewith.

The property accounts include the actual expenditures for additions to the property since it was turned over by the construction contractors, amounting to \$15,142,689.70. The expenditures for such capitalized additions include a portion of the fixed charges of the Company, resulting from a careful apportionment of such charges between operating and construction accounts, which in our opinion is sound and proper.

The materials, supplies and disused construction plant were inventoried by us, and the valuations placed upon them are the result of careful research and appraisal. We believe these valuations to be conservative and fully protected by reserves against contingencies.

The cash balances as stated are correct. The accounts receivable stated in the balance sheet are actually due to the Company from various sources, and we believe they are collectible. Due provision has been made in the reserves for such as may be doubtful.

The account "Unamortized Discount on Bonds" represents a balance, not yet charged off, of discounts on bonds sold. It is being taken into operating expenses at a monthly rate which will absorb it during the life of the bonds.

The outstanding capital obligations have been verified. All tax accounts are set up in the full amounts of the assessments levied against the Company, although the special franchise taxes for the years 1908 to 1911, as levied, are being contested in the courts. Any reductions that may be obtained will reduce the liabilities stated in the balance sheet. All other known liabilities have been set up and it is believed that the reserves fully cover such as have not yet been determined.

The reserve for amortization and upkeep of capital, amounting to \$512,794.14, as stated in the balance sheet, is in accordance with a plan filed by the officers of the Company with the Public Service Commission of New York.

PATTERSON, TEELE & DENNIS,
Certified Public Accountants.

HUDSON AND MANHATTAN RAILROAD COMPANY

OFFICE OF THE AUDITOR

NEW YORK, April 30th, 1912.

W. G. McADOO, Esq.,
President.

Dear Sir :

I submit herewith financial and operating tables and statistics showing the results of operations of the Hudson and Manhattan Railroad Company for the year ended March 31st, 1912, compared with those of previous year as follows :

EXHIBIT	PAGE
1 Comparative Balance Sheet - - - - -	10
2 Income Account - - - - -	12
3 Profit and Loss Account - - - - -	13
4 Bonds Outstanding - - - - -	14
5 Equipment Obligations - - - - -	15
6 Railroad Revenues, Expenses and Taxes - - - - -	16
7 Railroad Operating Revenues by Months - - - - -	18
8 Railroad Operating Expenses by Months - - - - -	19
9 Traffic Statistics - - - - -	20
10 Average Mileage Operated During Year - - - - -	21
11 Actual Mileage in Operation March 31, 1912 - - - - -	21
12 Statistics of Train Operation - - - - -	22
13 Description of Car Equipment - - - - -	23
14 Description of Power Equipment - - - - -	23
15 Hudson Terminal Buildings—Income Account - - - - -	24

Very truly yours,

FLETCHER H. SILLICK,
Auditor.

EXHIBIT No. 1

COMPARATIVE BALANCE SHEET

A S S E T S		
March 31st, 1911		March 31st, 1912
\$115,217,496.61	Property Accounts, including work under construction	\$117,328,972.53
723,288.29	Materials and Supplies and disused Construction Plant	437,169.66
1,000.00	Investment	1,000.00
213,368.14	Special Cash Deposits (Construction Fund)	13,104.14
219,605.39	Current Cash Account	320,850.03
161,423.78	Accounts Receivable	226,003.56
13,907.66	Deposits with Public Departments	12,942.66
28,954.34	Prepaid Insurance	14,602.54
23,069.51	Prepaid Taxes	73,120.07
1,485.75	Other Prepayments	1,480.75
.	Accounts in Suspense	24,947.68
1,905,860.38	Deferred Charges—Unamortized bond discount and expense	2,172,223.70
85,094.24	Profit and Loss—Deficit	36,363.04
\$118,594,554.09	TOTAL ASSETS	\$120,662,780.39

EXHIBIT No. 1

MARCH 31st, 1912, AND MARCH 31st, 1911

L I A B I L I T I E S

March 31st, 1911		March 31st, 1912
\$ 39,994,890.00	Common Capital Stock and Scrip	\$39,994,890.00
5,242,151.25	Preferred Capital Stock and Scrip	5,242,151.25
12,908.75	Stocks held in reserve to redeem outstanding securities of constituent companies	12,908.75
5,000,000.00	New York and Jersey Railroad Co. First Mortgage 5% bonds due 1932 . . .	5,000,000 00
60,000,000.00	Hudson and Manhattan Railroad Co. First Mortgage 4½% bonds due 1957 . .	60,000,000.00
4,379,000.00	H. & M. R. R. Co. First Mortgage bonds bearing no interest until Feb. 1st, 1914, and thereafter at 4½% per annum until maturity, with an additional 2% per annum until Feb. 1st, 1920 if and to the extent earned . .	6,423,000.00
42,000.00	Real Estate Mortgage	42,000.00
1,236,000.00	Deferred Installments on Car Purchase Agreements	1,493,000.00
350,000.00	Loan Payable (January 31, 1913)	500,000.00
274,143.98	Current Accounts Payable	196,958.60
477,133.95	Accrued Bond Interest Payable August 1st,	486,263.72
15,566.66	Accrued Interest on Car Purchase Agreements	17,258.33
379,174.30	Accrued Taxes	506,858.84
18,391.92	Rentals received in advance	18,039.20
377,149.21	Contract Liabilities, not due	1,110.75
356,049.30	Materials and Construction Plant Reserves	188,458.09
385,081.14	Amortization Reserve	512,794.14
37,451.96	Other Reserves	27,088.72
17,461.67	Accounts in Suspense . . . . .	. . . . .
\$118,594,554.09	TOTAL LIABILITIES	\$120,662,780.39

1911			1912	
	\$2,546,349.00	GROSS REVENUE—PASSENGER FARES		\$3,014,861.26
		MISCELLANEOUS REVENUE FROM RAILROAD OPERATIONS:		
\$106,607.10		Advertising	\$142,078.00	
30,835.31		Other Car and Station Privileges	51,249.65	
5,838.89		Sale of Power	7,298.65	
144.19		Miscellaneous Transportation Revenue . . .	25.00	
5,553.48		Other Miscellaneous Revenue	6,331.19	
	148,690.59	TOTAL MISCELLANEOUS RAILROAD REVENUE		206,982.49
	\$2,695,039.59	TOTAL RAILROAD REVENUE		\$3,221,843.75
		OPERATING EXPENSES OF RAILROAD: (See Exhibit No. 6)		
\$143,652.68		Maintenance of Way and Structures { Actual	\$171,154.91	
58,110.00		{ Reserve	58,110.00	
87,570.19		Maintenance of Equipment { Actual	89,139.45	
29,601.00		{ Reserve	29,601.00	
40,490.21		Traffic Expenses	13,850.95	
639,670.48		Transportation Expenses	745,540.41	
91,074.07		General Expenses	114,075.01	
	1,090,168.63	TOTAL OPERATING EXPENSES OF RAILROAD		1,221,471.73
	\$1,604,870.96	NET OPERATING REVENUE FROM RAILROAD		\$2,000,372.02
	167,461.64	TAXES ON RAILROAD OPERATING PROPERTIES		200,297.60
	\$1,437,409.32	NET INCOME FROM RAILROAD OPERATION		\$1,800,074.42
\$861,024.71		NET INCOME FROM HUDSON TERMINAL BUILDINGS (See Exhibit No. 15)	\$925,813.92	
2,836.94		NET INCOME FROM GREENWICH AND TENTH ST. PROPERTIES	2,620.98	
	863,861.65	TOTAL NET INCOME FROM OUTSIDE OPERATIONS		928,434.90
	\$2,301,270.97	TOTAL NET INCOME FROM ALL OPERATING SOURCES		\$2,728,509.32
	13,781.15	NON-OPERATING INCOME		20,964.45
	\$2,315,052.12	GROSS INCOME		\$2,749,473.77
		INCOME DEDUCTIONS:		
\$2,918,007.91		Interest on Total Interest Bearing Bonds . .	\$2,951,427.27	
819,192.31		Less interest chargeable to Construction . .	535,984.56	
		BALANCE being interest on capital employed in operation and chargeable against income . .	\$2,415,442.71	
\$2,098,815.60		Interest on Car Purchase Agreements . . .	68,716.67	
48,200.00		Interest on Real Estate Mortgage	2,100.00	
525.00		Interest on Loans Payable	5,491.80	
.		Rentals, City of New York	59,873.46	
49,788.59		Rental Tracks, Yards and Terminals	101,507.16	
127,840.98		Amortization of Debt Discount	46,062.60	
31,772.23		TOTAL INCOME DEDUCTIONS		2,699,194.40
	2,356,942.40	NET INCOME CARRIED TO CORPORATE SURPLUS ACCOUNT		\$50,279.37
	\$41,890.28			

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EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED MARCH 31, 1912

Balance, Deficit at March 31, 1911, as previously reported	\$85,094.24
Debit Adjustments Applicable to Prior Periods, Net	1,548.17
	<hr/>
	\$86,642.41
Credit Net Surplus, Year ended March 31, 1912, after charging off	
interest applicable against that portion of the property	
employed in present operations. (See Exhibit 2)	50,279.37
	<hr/>
Balance, Deficit March 31, 1912, as per Balance Sheet	\$36,363.04

EXHIBIT No. 4

BONDS OUTSTANDING, MARCH 31, 1912

CLASS OF BONDS	De-nom-ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount held in Trust to retire N.Y. & J. 1st Mort. Bonds at 110	Amount issuable for further construction only	Amount Outstanding	TRUSTEES
				Rate	Payable					
New York and Jersey R. R. Co., 1st Mort.	\$1000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000	. . . . .	. . . . .	\$ 5,000,000	Guaranty Trust Co. of N.Y.
Hudson and Manhattan R.R.Co., 1st Mort.	1000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	100,000,000	\$5,500,000	\$28,077,000	*66,423,000	Standard Trust Co. of N.Y.
						\$105,000,000	\$5,500,000	\$28,077,000	\$71,423,000	

* Hudson Companies, the owner of \$6,423,000 of Hudson and Manhattan 4½% bonds, has agreed that said \$6,423,000 of bonds shall bear no interest until February 1st, 1914, and thereafter shall bear interest at 4½% per annum until maturity, with an additional 2% per annum until February 1st, 1920 if and to the extent earned.

EXHIBIT No. 5

EQUIPMENT OBLIGATIONS OUTSTANDING, MARCH 31, 1912

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALLMENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N.Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$598,220	\$644,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sep. 1	March 1, 1919
Guaranty Trust Co. of N.Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	212,500	450,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N.Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	111,000	399,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$2,414,720	\$921,720	\$1,493,000					

EXHIBIT No. 6
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED MARCH 31, 1912 AND 1911

OPERATING REVENUES		1912	1911
Revenue from Transportation:			
Passenger Revenue		\$3,014,861.26	\$2,546,349.00
Miscellaneous Transportation Revenue		25.00	144.19
TOTAL REVENUE FROM TRANSPORTATION		\$3,014,886.26	\$2,546,204.81
Other Railroad Operating Revenues:			
Advertising Privileges		\$142,078.00	\$106,607.10
Other Car and Station Privileges		51,249.65	30,835.31
Sale of Power		7,298.65	5,838.89
Miscellaneous		6,331.19	5,553.48
TOTAL REVENUE OTHER THAN TRANSPORTATION		\$206,957.49	\$148,834.78
TOTAL RAILROAD OPERATING REVENUES		\$3,221,843.75	\$2,695,039.59
OPERATING EXPENSES			
Maintenance of Way and Structures:			
Superintendence		\$11,859.85	\$ 10,369.69
Ties			1.63
Rails		12,896.59	7,911.62
Rail Fastenings and Joints		2,583.23	782.46
Special Work		312.18	94.80
Roadway and Track Labor		17,163.37	13,755.07
Miscellaneous Roadway and Track Expenses		1,277.04	569.66
Care of Track		19,360.90	18,572.27
Tunnels			
Tunnel Structure		8,105.56	2,007.52
Concrete Lining and Cable Ducts		1,690.49	
Ventilating System		1,783.86	2,727.38
Drainage System		19,684.87	18,759.10
Lighting System		3,173.43	3,490.45
Miscellaneous Expenses		246.65	
Signal and Interlocking System		31,637.07	31,734.58
Telephone and Emergency Alarm System		2,331.71	2,714.17
Miscellaneous Maintenance of Way Expenses		2,726.85	1,716.70
Removal of Snow and Ice		62.52	305.13
Transmission System		23.28	418.62
Distribution System			
Feeders		252.09	821.41
Track Bonding		1,168.01	635.68
Contact Rail		3,860.78	4,835.02
Miscellaneous Expenses		23.51	95.43
Miscellaneous Electric Line Expenses . . . . .			.31
Buildings and Structures			
Main Power House Building		839.75	308.79
Sub-station No. 1 Building		431.51	193.01
Car Shop Building		581.34	141.29
Stations, Waiting Rooms		23,456.45	20,690.89
Miscellaneous		97.44	
Joint Way and Structures—Debit		3,524.58	
Depreciation of Way and Structures		58,110.00	58,110.00
TOTAL		\$229,264.91	\$201,762.68
Maintenance of Equipment:			
Superintendence		\$ 8,096.71	\$ 7,100.80
Passengers Cars		34,416.05	39,188.95
Work Cars		225.34	67.34
Electric Equipment of Cars		13,288.92	8,899.00
Main Power House Equipment		21,936.30	21,260.57
Sub-station No. 1 Equipment		284.74	156.52
Sub-station No. 2 Equipment		207.97	289.29
Sub-station No. 3 Equipment		292.32	30.66
Car Shop Machinery and Tools		1,468.55	2,400.93
Car Shop Expenses		10,892.65	8,104.58
Miscellaneous Equipment Expenses			71.55
Maintenance of Joint Equipment—Credit		1,554.16	
Depreciation of Equipment		29,601.00	29,601.00
TOTAL		\$118,740.45	\$117,171.19

EXHIBIT No. 6—Continued
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED MARCH 31, 1912 AND 1911

OPERATING EXPENSES—Continued		1912	1911
Traffic Expenses:			
Superintendence and Solicitation		\$5,724.06	\$ 6,578.58
Advertising		8,126.89	33,911.63
TOTAL		\$13,850.95	\$40,490.21
Transportation Expenses:			
Superintendence	\$ 47,994.71		\$ 39,680.94
Wages Main Power House Employees	71,628.63		69,392.93
Fuel for Main Power House	110,623.38		88,976.84
Water for Main Power House	7,547.34		7,773.77
Lubricants for Main Power House	1,593.30		1,535.93
Miscellaneous Supplies and Expenses Main Power House	3,916.79		3,589.18
Wages Sub-station No. 1 Employees	5,052.13		4,987.21
Supplies and Expenses Sub-station No. 1	373.63		302.32
Wages Sub-station No. 2 Employees	4,519.08		4,365.95
Supplies and Expenses Sub-station No. 2	279.79		250.41
Wages Sub-station No. 3 Employees	4,077.17		4,072.43
Supplies and Expenses Sub-station No. 3	318.93		360.12
Power Purchased	5.96		6.98
Power Exchanged—Balance	90.75		
Other Operations—Credit	58,889.48		57,249.47
Wages Passenger Motormen	86,028.55		70,407.25
Wages Passenger Conductors	60,187.10		47,106.90
Wages Passenger Trainmen	91,449.65		60,244.20
Wages Other Car Service Employees	35,646.03		27,763.91
Train Supplies and Expenses	14,309.62		12,795.16
Wages Station Employees	188,372.68		168,552.33
Station Supplies and Expenses	14,989.93		11,533.26
Wages Car House Employees	40,027.37		33,873.81
Car House Supplies and Expenses	1,129.60		529.90
Operating Signal and Interlocking System	41,493.89		35,430.33
Operating Telephone System	4,040.59		3,243.30
Other Transportation Expenses	267.52		144.59
Joint Operation of Trains—Debit	1,939.38		
Joint Operation of Trains—Credit	33,292.11		
TOTAL	\$745,540.41		\$639,670.48
General Expenses:			
Salaries and Expenses General Officers	\$30,436.92		\$21,496.90
Salaries and Expenses General Office Clerks	27,325.68		18,255.48
General Office Supplies and Expenses	1,690.59		2,749.42
General Law Expenses	5,584.63		3,091.73
Stationery and Printing	4,739.42		3,631.52
Store Expenses	7,432.56		5,917.62
Insurance	3,051.85		2,422.84
Injuries and Damages	14,727.18		15,084.08
Law Expenses in connection with damages	1,289.29		1,347.75
Miscellaneous General Expenses	17,796.89		17,076.73
TOTAL	\$114,075.01		\$91,074.07
TOTAL RAILROAD OPERATING EXPENSES	\$1,221,471.73		\$1,090,168.63
NET RAILROAD OPERATING REVENUE	\$2,000,372.02		\$1,604,870.96
TAXES ON RAILROAD OPERATING PROPERTIES	200,297.60		167,461.64
OPERATING INCOME	\$1,800,074.42		\$1,437,409.32
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES	37.91 %		40.45 %
RATIO OF OPERATING EXPENSES (Exclusive of Depreciation) TO TOTAL OPERATING REVENUES	35.19 %		37.20 %
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES	44.13 %		46.66 %

EXHIBIT No. 7.
RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED MARCH 31, 1912
AND TOTALS FOR YEAR ENDED MARCH 31, 1911.

MONTHS	Passengers Carried	OPERATING REVENUES						
		Passenger Revenue	Advertising	Other Car and Station Privileges	Sale of Power	Miscellaneous Revenue other than Transportation	Miscellaneous Transportation Revenue	Total Operating Revenue
April 1911 . .	4,847,324	\$242,366.20	\$10,831.70	\$4,061.61	\$502.10	\$538.52		\$258,300.13
May " . .	4,740,984	237,049.20	10,986.12	3,769.13	536.40	806.88		253,147.73
June " . .	4,427,292	221,364.60	11,569.02	3,953.34	424.95	608.54		237,920.45
July " . .	3,989,711	199,485.55	11,989.25	4,096.57	360.80	442.92		216,375.09
August " . .	4,120,976	206,048.80	12,109.40	3,672.37	381.80	204.22		222,416.59
September " . .	4,497,959	224,897.95	12,374.06	4,125.80	498.10	411.40	\$25.00	242,332.31
October " . .	5,048,149	252,313.63	12,122.14	4,119.32	536.45	506.18		269,597.72
November " . .	5,074,179	253,512.28	11,914.97	4,415.94	590.05	438.49		270,871.73
December " . .	5,725,323	297,611.29	11,781.82	4,957.43	566.70	549.47		315,466.71
January 1912 . .	5,107,583	300,822.88	11,808.82	4,749.23	752.05	566.08		318,699.06
February " . .	4,756,709	280,318.80	12,004.91	4,447.41	975.75	641.07		298,387.94
March " . .	5,080,761	299,070.08	12,585.79	4,881.50	1,173.50	617.42		318,328.29
Totals year ended March 31, 1912	57,416,950	\$3,014,861.26	\$142,078.00	\$51,249.65	\$7,298.65	\$6,331.19	\$25.00	\$3,221,843.75
Totals year ended March 31, 1911	50,926,980	\$2,546,349.00	\$106,607.10	\$30,835.31	\$5,838.89	\$5,553.48	\$144.19	\$2,695,039.59
Increase	6,489,970	\$468,512.26	\$35,470.90	\$20,414.34	\$1,459.76	\$777.71	\$169.19	\$526,804.16
Per Cent. of Increase	12.7%	18.4%	33.3%	66.2%	24.8%	14%		19.5%

EXHIBIT No. 8
RAILROAD OPERATING EXPENSES, BY MONTHS, FOR YEAR ENDED MARCH 31, 1912
AND TOTALS FOR YEAR ENDED MARCH 31, 1911

MONTHS	OPERATING EXPENSES (Including Depreciation)						Net Operating Revenue	Ratio of Operating Expenses to Operating Revenue
	Maintenance of Way and Structures	Maintenance of Equipment	Traffic Expenses	Transportation Expenses	General Expenses	Total Operating Expenses		
April 1911 . .	\$20,200.50	\$11,340.69	\$ 664.94	\$56,528.68	\$ 9,940.28	\$ 98,675.09	\$159,625.04	38.20%
May " . .	19,466.68	13,586.39	1,168.06	55,628.40	7,043.75	96,893.28	156,254.45	38.27%
June " . .	19,531.93	11,401.96	747.36	53,763.73	7,891.26	93,336.24	144,584.21	39.23%
July " . .	17,134.81	7,415.55	873.36	53,659.84	9,571.48	88,655.04	127,720.05	40.97%
August " . .	18,271.86	7,197.89	554.18	52,479.68	8,782.26	87,285.87	135,130.72	39.24%
September " . .	19,864.15	7,425.60	821.36	53,369.54	8,709.33	90,189.98	152,142.33	37.22%
October " . .	19,532.28	9,042.01	775.42	61,624.64	7,239.01	98,213.36	171,384.36	36.43%
November " . .	19,174.70	10,003.85	2,170.72	63,839.23	6,980.76	102,169.26	168,702.47	37.72%
December " . .	17,346.01	8,945.49	1,895.23	73,631.60	11,737.16	113,555.49	201,911.22	36.68%
January 1912 . .	20,081.42	10,816.09	1,832.43	78,961.56	12,593.15	124,284.65	194,414.41	39.00%
February " . .	18,536.82	9,579.03	1,989.40	69,903.11	11,330.23	111,338.59	187,049.35	37.31%
March " . .	20,123.75	11,985.90	358.49	72,150.40	12,256.34	116,874.88	201,453.41	36.71%
Totals year ended March 31, 1912	\$229,264.91	\$118,740.45	\$13,850.95	\$745,540.41	\$114,075.01	\$1,221,471.73	\$2,000,372.02	37.91%
Totals year ended March 31, 1911	\$201,762.68	\$117,171.19	\$40,490.21	\$639,670.48	\$91,074.07	\$1,090,168.63	\$1,604,870.96	40.45%
Increase	\$27,502.23	\$1,569.26		\$105,869.93	\$23,000.94	\$131,303.10	\$395,501.06	
Per Cent. of Increase	13.6%	1.3%		16.6%	25.3%	12%	24.6%	2.54%
Decrease			\$26,639.26					
Per Cent. of Decrease			65.2%					

EXHIBIT No. 9

TRAFFIC STATISTICS FOR YEARS ENDED MARCH 31, 1912 AND 1911

	1912	1911
AVERAGE MILES OF ROAD OPERATED	7.569	6.663
NUMBER OF REVENUE CAR MILES OPERATED	7,335,733	6,592,271
PASSENGER REVENUE	\$3,014,861.26	\$2,546,349.00
MISCELLANEOUS RAILROAD REVENUE	206,982.49	148,690.59
GROSS RAILROAD OPERATING REVENUE	\$3,221,843.75	\$2,695,039.59
OPERATING EXPENSES (EXCLUDING TAXES)	1,221,471.73	1,090,168.63
NET RAILROAD OPERATING REVENUE	\$2,000,372.02	\$1,604,870.96
Passenger Traffic:		
Number of Passengers Carried*	57,416,950	50,926,980
Number of Passengers Carried per Mile of Road	7,585,804	7,643,251
Number of Passengers per Revenue Car Mile	7.83	7.73
Revenues and Operating Expenses:		
Passenger Revenue per Mile of Road	\$398,316.99	\$382,162.54
Gross Railroad Operating Revenue per Mile of Road	425,663.06	404,478.40
Operating Expenses (EXCLUDING TAXES) per Mile of Road	161,378.20	163,615.28
Net Railroad Operating Revenue per Mile of Road	264,284.86	240,863.12
Passenger Revenue per Revenue Car Mile	\$0.4110	\$0.3863
Gross Railroad Operating Revenue per Revenue Car Mile	0.4390	0.4088
Operating Expenses (EXCLUDING TAXES) per Revenue Car Mile	0.1665	0.1653
Net Railroad Operating Revenue per Revenue Car Mile	0.2725	0.2435
Passenger Revenue per Passenger	\$0.0525	\$ 0.05
Gross Railroad Operating Revenue per Passenger	0.0561	0.0529
Operating Expenses (EXCLUDING TAXES) per Passenger	0.0213	0.0214
Net Railroad Operating Revenue per Passenger	0.0348	0.0315

*See General Remarks in President's Report on Page 7.

EXHIBIT No. 10

AVERAGE MILEAGE OPERATED DURING YEARS ENDED MARCH 31, 1912 AND 1911

	1912	1911
AVERAGE MILES OF SINGLE TRACK :		
In New York	6.318	5.785
In New Jersey	8.755	7.503
TOTALS	15.073	13.288
AVERAGE MILES OF ROAD :		
In New York	3.159	2.908
In New Jersey	4.410	3.755
TOTALS	7.569	6.663

EXHIBIT No. 11

ACTUAL MILEAGE IN OPERATION AT MARCH 31, 1912

MILES OF TRACK		
IN NEW YORK :		
Main Lines	6.318	
Sidings and Crossovers . . . . .	.771	
Total Track in New York		7.089
IN NEW JERSEY :		
Main Lines	9.425	
Sidings and Crossovers . . . . .	.335	
Car Yard and approach	1.908	
Total Track in New Jersey		11.668
Total Mileage all Tracks		<u>18.757</u>
MILES OF ROAD :		
In New York	3.16	
In New Jersey	4.75	
Total Miles of Road		<u>7.91</u>

EXHIBIT No. 12
STATISTICS OF TRAIN OPERATION FOR YEAR ENDED MARCH 31, 1912

	Daily Average Passenger Traffic	Daily Average Number of Trains	Total Revenue Car Mileage	Daily Average Revenue Car Mileage	Total Number of Train Delays	Total Time of Detention in Minutes	Average Time of Detention in Minutes	Average Time of Detention per Thousand Car Miles in Seconds	Percentage of Trains on Time
APRIL, 1911 . . .	161,577	1,828	593,274	19,776	18	45 min.	2½ min.	4.55 sec.	99.79%
MAY	152,935	1,829	586,861	18,931	18	63 min.	3½ min.	6.44 sec.	99.87%
JUNE	147,576	1,794	536,334	17,878	19	41 min.	2¼ min.	4.58 sec.	99.73%
JULY	128,700	1,704	493,140	15,908	24	149½ min.	6¼ min.	18.18 sec.	99.45%
AUGUST	132,934	1,718	509,246	16,427	34	81 min.	2½ min.	9.54 sec.	99.75%
SEPTEMBER . . .	149,932	1,766	554,367	18,479	32	122½ min.	3¾ min.	13.25 sec.	99.60%
OCTOBER	162,843	1,845	659,954	21,289	32	101 min.	3 min.	9.18 sec.	99.81%
NOVEMBER . . .	169,139	1,806	639,710	21,324	23	94½ min.	4 min.	8.86 sec.	99.49%
DECEMBER . . .	184,687	1,836	732,585	23,632	30	78½ min.	2½ min.	6.42 sec.	99.61%
JANUARY, 1912 .	164,760	1,845	712,925	22,998	27	89½ min.	3¼ min.	7.53 sec.	99.47%
FEBRUARY . . .	169,882	1,838	637,060	21,968	21	89 min.	4¼ min.	8.38 sec.	99.65%
MARCH	163,895	1,838	680,277	21,944	27	80 min.	3 min.	7.05 sec.	99.67%

EXHIBIT No. 13

DESCRIPTION OF CAR EQUIPMENT

Steel Passenger Cars with Motors	226
Steel Derrick Car with Motor	1
Flat Cars	4

DIMENSIONS OF PASSENGER CARS

Length over all	48 feet 0 inches
Width over all	8 " 11 ³ / ₁₆ "
Height over all	12 " 0 "
Seating Capacity	44 persons

EXHIBIT No. 14

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT

	CAPACITY
4 Turbo Units A. C.	18,000 K.W.
9 Water Tube Boilers	} 8,100 H.P.
9 Superheaters	
9 Economizers	
11 Rotary Converters	16,500 K.W.
33 Transformers	18,150 K.W.
Transmission Cables	11,000 Volt A.C.
Distribution Cables	625 Volt D.C.

EXHIBIT No. 15

**HUDSON TERMINAL BUILDINGS REVENUES, EXPENSES AND TAXES FOR
THE YEARS ENDED MARCH 31, 1912 AND 1911**

1911			1912	
		OPERATING REVENUES:		
	\$1,428,502.90	GROSS RENTALS		\$1,565,727.59
	25,331.69	MISCELLANEOUS REVENUES		34,333.83
	\$1,453,834.59			\$1,600,061.42
	21,723.83	Less Assumed Leases in other Buildings . .		15,460.92
	\$1,432,110.76	NET TOTAL OPERATING REVENUES		\$1,584,600.50
		OPERATING EXPENSES:		
\$ 36,985.02		Maintenance of Structures and Plant . . .	\$ 35,729.29	
255,494.78		Expenses of Operation	275,054.40	
82,648.85		General Expenses	104,987.64	
\$375,128.65			415,771.33	
40,002.00		Depreciation of Buildings and Plant . . .	40,002.00	
	415,130.65	TOTAL OPERATING EXPENSES		455,773.33
	\$1,016,980.11	NET OPERATING REVENUE		\$1,128,827.17
	155,955.40	TAXES		203,013.25
	\$861,024.71	NET INCOME FROM HUDSON TERMINAL BUILDINGS		925,813.92
28.99%	Ratio of Operating Expenses to Net Total Operating Revenues.			28.76%
26.19%	Ratio of Operating Expenses, exclusive of Depreciation, to Net Total Operating Revenues.			26.24%

FACTS CONCERNING HUDSON TERMINAL BUILDINGS

(LARGEST OFFICE BUILDINGS IN THE WORLD)

FLOORS ABOVE STREET LEVEL	22
FLOORS BELOW STREET LEVEL	4
SQUARE FEET RENTABLE AREA (100 PER CENT. RENTED)	877,900
NUMBER OF ELEVATORS	39
NUMBER OF ROOMS	4,500
NUMBER OF LEASEHOLDERS	950
ESTIMATED POPULATION OF THE BUILDINGS	10,000

THE FOLLOWING WELL-KNOWN CORPORATIONS HAVE OFFICES IN THE HUDSON TERMINAL BUILDINGS :

American Brake Shoe & Foundry Company	Fairbanks, Morse & Company
American Bridge Company	Franklin Railway Supply Company
American Gas & Electric Company	General Electric Company
American Locomotive Company	Hale & Kilburn Company
American Sheet & Tin Plate Company	Harlan & Hollingsworth Corporation
American Steel Foundries Company	Hayward Company
American Steel & Wire Company	Kerite Insulated Wire & Cable Company
Armstrong Cork Company	Lorain Steel Company
Armour & Company	National Tube Company
Barber Asphalt Paving Company	New York Life Insurance Company
Burns Brothers	New York Telephone Company
Carbon Steel Company	Railway Steel Spring Company
Carnegie Steel Company	Rogers, Brown & Company
Chicago Pneumatic Tool Company	Sherwin-Williams Company
Corn Exchange Bank (Terminal Branch)	Southern Railway Company
Crocker-Wheeler Company	B. F. Sturtevant Company
Cutler-Hammer Manufacturing Company	Union Switch & Signal Company
Equitable Life Assurance Society	United States Post Office (Terminal Branch)
Erie Railroad Company	United States Steel Products Company

THE FOLLOWING RAILROADS HAVE TICKET OFFICES ON THE CONCOURSE FLOOR OF THE HUDSON TERMINAL :

Pennsylvania Railroad Company	Erie Railroad Company
Lehigh Valley Railroad Company	New York, Susquehanna & Western Railroad Co.

CLUBS :

Railroad Club of New York, 21st and 22d Floors of Cortlandt Building, 30 Church Street
Machinery Club of New York, 21st and 22d Floors of Fulton Building, 50 Church Street

FOURTH
ANNUAL REPORT

OF

HUDSON AND MANHATTAN
RAILROAD COMPANY

YEAR ENDED DECEMBER 31, 1912

MAP OF
HUDSON & MANHATTAN RAILROAD
HUDSON TUNNEL SYSTEM

KEY

Hudson & Manhattan Railroad in Operation				
18	22	23	24	Extensions

Rapid Transit Subway

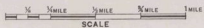
Elevated Railroads

Surface Railways

STATIONING

Steam Railroads in New Jersey

A horizontal number line representing a distance of 1 mile. The line is divided into 8 equal segments by vertical tick marks. Above the line, the following labels are placed: $\frac{1}{8}$ MILE, $\frac{2}{8}$ MILE, $\frac{3}{8}$ MILE, $\frac{4}{8}$ MILE, $\frac{5}{8}$ MILE, $\frac{6}{8}$ MILE, $\frac{7}{8}$ MILE, and 1 MILE.

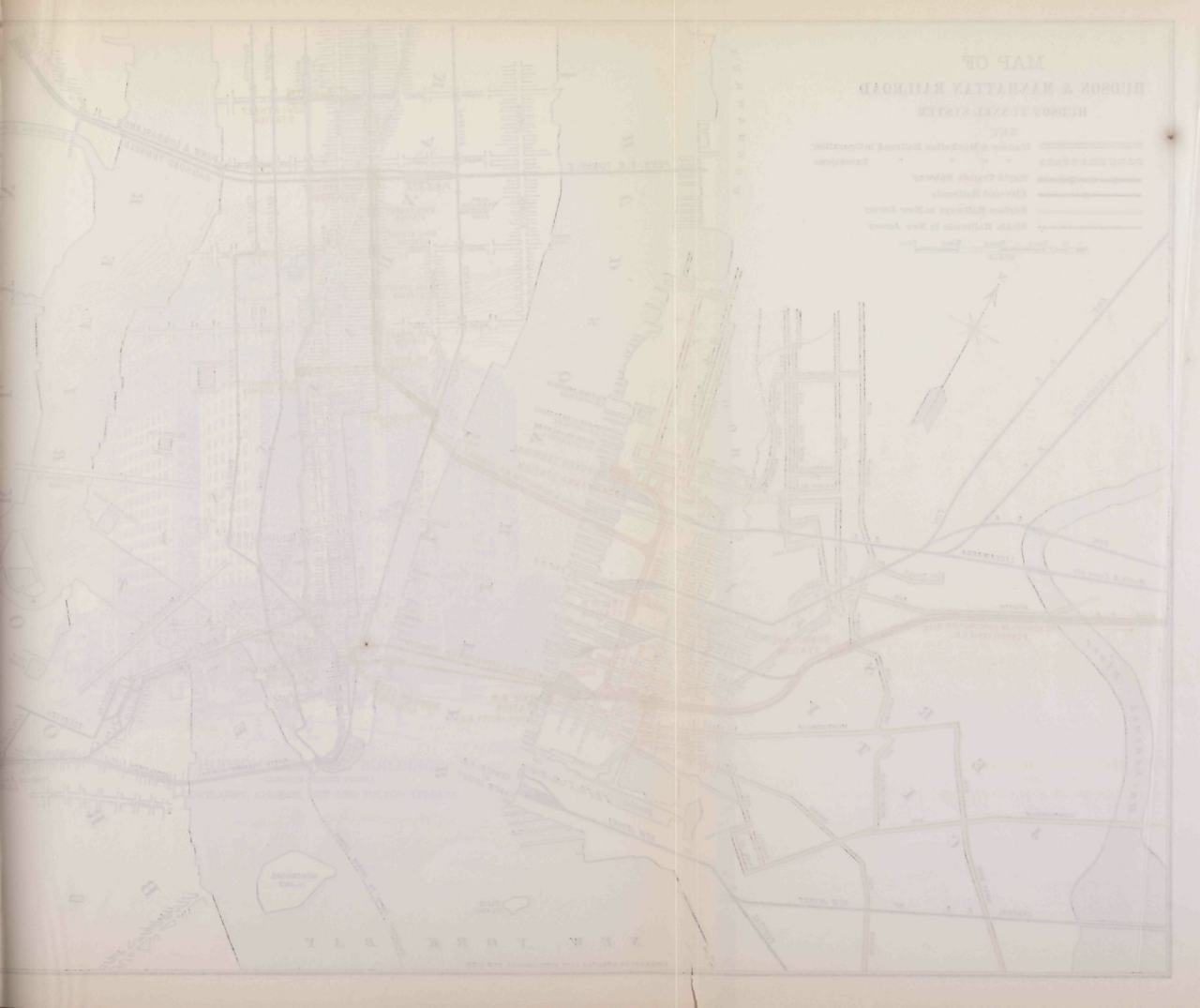


NEW YORK BAY

ENGRAVED BY AMERICAN BANK NOTE COMPANY, NEW YORK.

MAP OF HUDSON & MANHATTAN RAILROAD HUDSON & MANHATTAN RAILROAD

NOTE:
 Hudson & Manhattan Railroad in New York
 Hudson & Manhattan Railroad in New Jersey
 Hudson & Manhattan Railroad in New York
 Hudson & Manhattan Railroad in New Jersey
 Hudson & Manhattan Railroad in New York
 Hudson & Manhattan Railroad in New Jersey





HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON AND MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS, APRIL 1st, 1913

BOARD OF DIRECTORS

WILLIAM M. BARNUM	-	New York City	ELBERT H. GARY	-	-	New York City
FRANK O. BRIGGS	-	-	Trenton, N. J.	FREDERIC B. JENNINGS	-	New York City
LEWIS L. CLARKE	-	-	New York City	JOHN G. McCULLOUGH	-	New York City
PLINY FISK	-	-	New York City	RICHARD W. MEIRS	-	Philadelphia, Pa.
WILBUR C. FISK	-	-	New York City	WALTER G. OAKMAN	-	New York City

GENERAL OFFICERS

WILBUR C. FISK	-	-	President	JAMES S. O'NEALE	Secretary and Treasurer	
HAMILTON S. CORWIN	-	-	Comptroller	J. VIPOND DAVIES	-	Chief Engineer

GENERAL COUNSEL

STETSON, JENNINGS & RUSSELL
15 Broad Street, New York

ATTORNEYS

COLLINS & CORBIN, Jersey City
WILLIAM D. EDWARDS, Jersey City

ACCOUNTANTS

PATTERSON, TEELE & DENNIS, Accountants and Auditors
30 Broad Street, New York

TRANSFER AGENTS AND REGISTRARS OF STOCK

HARVEY FISK & SONS, Bankers, 62 Cedar Street, New York

TRUSTEE UNDER MORTGAGES

GUARANTY TRUST COMPANY OF NEW YORK
31 Nassau Street, New York

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK

HUDSON AND MANHATTAN RAILROAD COMPANY

New York, April 9th, 1913.

To the Stockholders of the

HUDSON AND MANHATTAN RAILROAD COMPANY:

The President and Board of Directors submit the following report of the operation of the Company for the year ended December 31st, 1912. At the last annual meeting of the stockholders, the fiscal year of the Company was changed to end on the thirty-first day of December instead of the thirty-first day of March; therefore, the within report includes the results of January, February and March, 1912, which have already been given in the preceding annual report.

Condensed Comparative Statement of Income

	YEAR ENDED DECEMBER 31, 1912	YEAR ENDED DECEMBER 31, 1911
Gross Revenue, all sources	\$5,334,660.38	\$4,639,464.27
Operating Expenses and Taxes	2,240,255.81	2,042,804.72
Gross Income Applicable to Fixed Charges	\$3,094,404.57	\$2,596,659.55
Interest on Total Interest-Bearing Bonds Outstanding	\$2,943,196.06	\$2,944,552.14
Less Interest Chargeable to Construction	64,114.77	640,627.16
Balance, being Interest on Capital Employed in Operation and Chargeable against Income	\$2,879,081.29	\$2,303,924.98
Other Charges	289,855.49	283,864.89
Total Deductions from Income	\$3,168,936.78	\$2,587,789.87
Net Income. (<i>Italics Deficit.</i>)	\$74,532.21	\$8,869.68
Percentage of R. R. Operating Expenses vs. R. R. Revenue . .	36.04%	38.99%
Number of Revenue Car Miles Operated	7,950,413	7,150,826
Total Railroad Revenue per Car Mile	45.66c.	42.58c.
Railroad Operating Expenses per Car Mile	16.45c.	16.60c.
Net Railroad Revenue per Car Mile	29.21c.	25.98c.

The report of the Auditor, showing the financial condition of the Company, and various statements of accounts and statistics, are hereinafter submitted.

The accounts of the Company have been examined by Messrs. Patterson, Teele & Dennis, Accountants and Auditors, and their certificate is included herein.

Physical Condition

The physical condition of your property is excellent; no effort has been spared to keep it perfectly maintained in all departments.

Summit Avenue Station

On April 14th, 1912, temporary station facilities at Summit Avenue, Jersey City, were opened to the public. The completed structure was opened for public use during February, 1913. The Public Service Corporation of New Jersey has installed adequate terminal facilities adjacent to the Summit Avenue Station, and operates a large number of surface cars to that point, thus affording the people of that section of Jersey City convenient and frequent service to New York in connection with the Hudson Tubes. The traffic at this station has doubled since it was first opened.

Erie Station

During the year an additional platform was installed at the Erie Station, with a stairway to the main passageway leading to the Erie Railroad's Jersey City terminal. This increased facility has greatly relieved the congestion of traffic at this point. The new platform, being on the east side, is used exclusively for northbound passengers, leaving the older platform for the use of south-bound traffic.

The block of real estate in Jersey City bounded by Henderson, Provost, Thirteenth and Fourteenth Streets, which was formerly occupied as the Company's general store yard, was sold in August at a price considerably in advance of its cost. The proceeds of this sale have been deposited with the Guaranty Trust Company, Trustee of the New York and Jersey 5% First Mortgage.

Hudson Terminal

In May, 1912, the Company took over the additions to the Hudson Terminal buildings, and both the original buildings and the additions are fully rented at advantageous rates, to a high class of tenants.

Financial Plans

Since the close of the fiscal year, the Directors of your Company have approved a Plan formulated by Messrs. Kuhn, Loeb & Company of New York, Robert Fleming & Company of London, and Harvey Fisk & Sons of New York, for the Re-adjustment of the debt of the Company. The various security holders have already been advised of the details of the proposed Plan, and their almost unanimous consent thereto has been most gratifying. It is expected that its successful consummation can be announced in the near future.

Amortization Reserves

As of March 31st, 1912, there had been accumulated a reserve for the amortization of capital in the amount of \$512,794.14. During ten months since that date no further accruals have been made as, in the judgment of the Directors of your Company, the amount already reserved was sufficient for all reasonable current requirements, and it was, therefore, justifiable to temporarily discontinue further accretions to the reserve account. During the said period of ten months to

February 1st, 1913, all expenditures for maintenance, renewals and repairs have been made out of current income, and the amortization reserve has not been in any way depleted. Beginning with the accounts of February, 1913, it is proposed to inaugurate a new amortization plan, which will be sufficient to provide for the replacement of the various units of property at the ends of their estimated lives.

Resignation of President McAdoo

The appointment of Mr. William G. McAdoo as Secretary of the Treasury of the United States necessitated his resignation as a Director and President of this Company. At a meeting of the Board of Directors on March 6th, Mr. McAdoo's resignation was accepted with great regret ; and Mr. Wilbur C. Fisk, formerly Vice-President and General Manager, was elected to the Presidency of the Company.

Acknowledgment is made of the faithful and efficient services rendered by the officers and employees of the Company.

By order of the Board :

WILBUR C. FISK,
President.

ARTHUR W. TEELE, C. P. A.
JOHN WHITMORE.
HAMILTON S. CORWIN, C. P. A.
HAROLD F. LEEHING, C. P. A. (OHIO)
F. R. C. STEELE, C. P. A. (MASS.)
BOSTON

PATTERSON, TEELE & DENNIS
ACCOUNTANTS AND AUDITORS
NEW YORK AND BOSTON

CABLE ADDRESS.
"DIGNUS"

30 Broad Street, New York, April 9th, 1913.

To the Bondholders and Stockholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

We have audited the books and accounts of Hudson and Manhattan Railroad Company to December 31, 1912, and certify in the terms stated below the financial statements published herewith.

The property accounts include the actual expenditures for additions to the property since it was turned over by the construction contractors, amounting to \$16,827,217.37. This amount includes a portion of the fixed charges of the company applicable against sections of the property under construction, or finished and not utilized in operation, prior to April 14, 1912. The amounts so capitalized were determined by the apportionment of such charges between operating and construction accounts on a basis which, in our opinion, is sound and proper. All such apportionments were made and absorbed in the accounts prior to May, 1912, and no fixed charges have been capitalized since that date.

Materials, supplies and disused construction plant are carried at valuations which we believe to be conservative and fully protected by reserves against contingencies.

The accounts receivable are actually due to the company from various sources. In our opinion ample provision has been made in the reserves for such items as may be doubtful of collection.

The account "Unamortized Discount on Bonds" represents an unabsorbed balance of discounts on bonds sold. It is being taken into the accounts as a deduction from income at a monthly rate which will absorb it during the life of the funded obligations.

The tax liabilities are stated on a fully accrued basis, all other known indebtedness has been set up and it is believed that the reserves cover all liabilities which have not yet been determined.

All expenditures chargeable against operating accounts have been absorbed except special items aggregating \$12,511.41 which are carried over in suspense to be absorbed in expenses during the first few months of 1913.

The "Amortization Reserve," or reserve for depreciation, amounting to \$512,794.14 is an accumulation of charges to operating accounts in excess of actual expenditures for renewals prior to April, 1912, under a plan filed by the officers of the company with the Public Service Commission of New York. The amount of \$31,928.25 was thus added to the reserve account during the first three months of 1912. Since April 1912, no such provision for depreciation has been made.

We certify that the balance sheet and income and profit and loss accounts published herewith in connection with the foregoing explanations correctly set forth the financial condition of the company at December 31, 1912, and the results of the operations of the company to that date.

PATTERSON, TEELE & DENNIS,
Accountants and Auditors.

HUDSON AND MANHATTAN RAILROAD COMPANY

OFFICE OF THE AUDITOR

NEW YORK, April 9th, 1913.

W. C. FISK, Esq.,
President.

Dear Sir:

I submit herewith financial and operating tables and statistics showing the results of operations of the Hudson and Manhattan Railroad Company for the year ended December 31st, 1912, compared with those of previous year as follows:

EXHIBIT	PAGE
1 Comparative Balance Sheet - - - - -	10
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3 Profit and Loss Account - - - - -	13
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11 Actual Mileage in Operation December 31, 1912 - - - - -	21
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14 Hudson Terminal Buildings—Income Account - - - - -	23

Very truly yours,

FLETCHER H. SILLICK,
Auditor.

EXHIBIT No. 1

COMPARATIVE BALANCE SHEET

A S S E T S		
December 31st, 1911		December 31st, 1912
\$117,160,069.28	Property Accounts	\$119,013,500.22
670,764.93	Materials and Supplies and disused Construction Plant	396,618.23
370,832.50	Less Reserve for depreciated values	157,534.72
299,932.43		239,083.51
1,000.00	Investment	1,000.00
13,104.14	Cash Deposited with Trustees of N. Y. and J. Mortgage	114,099.14
460,500.99	Current Cash on Hand and in Bank	334,058.23
203,619.33	Accounts Receivable	178,492.75
12,962.66	Deposits with Public Departments	12,932.66
17,373.27	Prepaid Insurance	17,863.63
4,705.56	Prepaid Taxes	5,097.65
2,361.75	Other Prepayments	2,784.18
2,276.07	Accounts in Suspense	12,616.06
2,114,281.13	Deferred Charges—Unamortized bond discount and expense	2,137,199.86
57,722.08	Profit and Loss—Deficit	96,041.32
\$120,349,908.69	TOTAL ASSETS	\$122,164,769.21

EXHIBIT No. 1

DECEMBER 31st, 1912, AND DECEMBER 31st, 1911

LIABILITIES

December 31st, 1911		December 31st, 1912
\$39,994,890.00	Common Capital Stock and Scrip	\$39,994,890.00
5,242,151.25	Preferred Capital Stock and Scrip	5,242,151.25
12,908.75	Stocks and Scrip to redeem outstanding securities of predecessor companies .	12,908.75
5,000,000.00	New York and Jersey Railroad Co. First Mortgage 5% bonds due 1932 . . .	5,000,000.00
60,000,000.00	Hudson and Manhattan Railroad Co. First Mortgage 4½% bonds due 1957 .	60,000,000.00
6,000,000.00	H. & M. R. R. Co. First Mortgage bonds bearing no interest until Feb. 1st, 1914, and thereafter at 4½% per annum until maturity, with an additional 2% per annum until Feb. 1st, 1920 if and to the extent earned . .	7,500,000.00
66,000,000.00	Less Treasury bonds deposited as collateral	67,500,000.00 352,000.00
66,000,000.00		67,148,000.00
42,000.00	Real Estate Mortgages Payable	652,000.00
1,560,000.00	Deferred Installments on Car Purchase Agreements	1,376,000.00
100,000.00	Loan Payable (collateral, 352 bonds as above)	250,000.00
149,029.16	Current Accounts Payable	151,068.94
1,245,203.81	Accrued Bond Interest Payable February 1st	1,226,492.37
26,225.00	Other Accrued Interest	30,025.00
426,591.42	Accrued Taxes	517,170.22
16,531.16	Rentals received in advance	17,513.66
480,865.89	Amortization Reserve	512,794.14
33,134.97	Other Reserves	33,754.88
20,377.28	Accounts in Suspense . . . . .	. . . . .
\$120,349,908.69	TOTAL LIABILITIES	\$122,164,769.21

EXHIBIT No. 2
INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31, 1912
COMPARED WITH YEAR ENDED DECEMBER 31, 1911

1911			1912
	\$2,846,945.10	GROSS REVENUE—PASSENGER FARES	\$3,404,519.67
		MISCELLANEOUS REVENUE FROM RAILROAD OPERATIONS:	
\$137,690.33		Advertising	\$151,381.89
48,033.78		Other Car and Station Privileges	59,620.96
5,948.30		Sale of Power	9,061.95
25.00		Miscellaneous Transportation Revenue . . .	13.06
6,113.11		Other Miscellaneous Revenue	5,463.57
	197,810.52	TOTAL MISCELLANEOUS RAILROAD REVENUE	225,541.43
	\$3,044,755.62	TOTAL RAILROAD REVENUE	\$3,630,061.10
		OPERATING EXPENSES OF RAILROAD: (See Exhibit No. 6)	
\$170,714.38		Maintenance of Way and Structures { Actual	\$190,859.58
58,110.00		{ Reserve	14,527.50
100,864.26		Maintenance of Equipment { Actual	91,213.07
29,601.00		{ Reserve	7,400.25
15,418.72		Traffic Expenses	11,471.20
708,447.44		Transportation Expenses	844,453.14
103,968.35		General Expenses	148,180.02
	1,187,124.15	TOTAL OPERATING EXPENSES OF RAILROAD	1,308,104.76
	\$1,857,631.47	NET OPERATING REVENUE FROM RAILROAD	\$2,321,956.34
	194,690.16	TAXES ON RAILROAD OPERATING PROPERTIES	209,473.66
	\$1,662,941.31	NET INCOME FROM RAILROAD OPERATION	\$2,112,482.68
\$912,663.28		NET INCOME FROM HUDSON TERMINAL BUILDINGS (See Exhibit No. 14)	\$946,369.64
2,534.93		NET INCOME FROM GREENWICH AND TENTH ST. PROPERTIES	3,369.12
	915,198.21	TOTAL NET INCOME FROM OUTSIDE OPERATIONS	949,738.76
	\$2,578,139.52	TOTAL NET INCOME FROM ALL OPERATING SOURCES	\$3,062,221.44
	18,520.03	NON-OPERATING INCOME	32,183.13
	\$2,596,659.55	GROSS INCOME	\$3,094,404.57
		INCOME DEDUCTIONS:	
\$2,944,552.14		Interest on Total Interest-Bearing Bonds . .	\$2,943,196.06
640,627.16		Less interest chargeable to Construction . .	64,114.77
		BALANCE being interest on capital employed in operation and chargeable against income . .	\$2,879,081.29
\$2,303,924.98		Interest on Car Purchase Agreements . . .	72,666.66
65,416.69		Interest on Real Estate Mortgages	20,433.34
2,100.00		Interest on Loan Payable	23,692.43
59,873.48		Rentals, City of New York	61,953.66
112,666.83		Rental Tracks, Yards and Terminals	62,459.81
43,807.89		Amortization of Debt Discount	48,649.59
	\$2,587,789.87	TOTAL INCOME DEDUCTIONS	3,168,936.78
	\$8,869.68	NET INCOME CARRIED TO CORPORATE SURPLUS ACCOUNT	\$74,532.21

NOTE—As additional property has been put into operation, bond interest has been applied against income, as follows:

April 1st, 1909 to July 19, 1909, on \$13,512,000 Bonds	Jan. 1st, 1910 to Jan. 1st, 1911, on \$45,028,000 Bonds
July 19th, 1909 to Aug. 2nd, 1909, on \$18,691,000 Bonds	Jan. 1st, 1911 to Dec. 1st, 1911, on \$50,000,000 Bonds
Aug. 2nd, 1909 to Sept. 20th, 1909, on \$33,991,000 Bonds	Dec. 1st, 1911, to Apr. 14th, 1912, on \$60,000,000 Bonds
Sept. 20th, 1909 to Jan. 1st, 1910, on \$35,028,000 Bonds	Apr. 14th, 1912 to Jan. 1st, 1913, on \$65,000,000 Bonds

EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED DECEMBER 31, 1912

Balance, Deficit at December 31, 1911	\$57,722.08
Credit Adjustments Applicable to Prior Periods	36,212.97
	<u>\$21,509.11</u>
Debit Net Deficit Year ended December 31, 1912, after charging off interest applicable against property employed in operation. (See Exhibit 2)	74,532.21
	<u>\$96,041.32</u>

EXHIBIT No. 4

BONDS OUTSTANDING, DECEMBER 31, 1912

CLASS OF BONDS	De-nom-ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount held in Trust to retire N. Y. & J. 1st Mort. Bonds at 110	Amount issuable for further construction only	Amount Outstanding	TRUSTEES
				Rate	Payable					
New York and Jersey R. R. Co., 1st Mort.	\$1000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000	. . . . .	. . . . .	\$ 5,000,000	Guaranty Trust Co. of N. Y.
Hudson and Manhattan R. R. Co., 1st Mort.	1000	Feb. 1, 1907	Feb. 1, 1937	4½%	Feb. 1, Aug. 1	100,000,000	\$5,500,000	\$27,352,000	*67,148,000	Standard Trust Co. of N. Y.
						\$105,000,000	\$5,500,000	\$27,352,000	\$72,148,000	

* Hudson Companies, the owner of \$7,148,000 of Hudson and Manhattan 4½% bonds, has agreed that said \$7,148,000 of bonds shall bear no interest until February 1st, 1914, and thereafter shall bear interest at 4½% per annum until maturity, with an additional 2% per annum until February 1st, 1920 if and to the extent earned.

EXHIBIT No. 5

EQUIPMENT OBLIGATIONS OUTSTANDING, DECEMBER 31, 1912

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALL- MENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N.Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$644,220	\$598,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sept. 1	March 1, 1919
Guaranty Trust Co. of N.Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	262,500	400,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N.Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	132,000	378,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$2,414,720	\$1,038,720	\$1,376,000					

EXHIBIT No. 6
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31, 1912 AND 1911

OPERATING REVENUES		1912	1911
Revenue from Transportation:			
Passenger Revenue		\$3,404,519.67	\$2,846,945.10
Miscellaneous Transportation Revenue		13.06	25.00
TOTAL REVENUE FROM TRANSPORTATION		\$3,404,532.73	\$2,846,970.10
Other Railroad Operating Revenues:			
Advertising Privileges		\$151,381.89	\$137,690.33
Other Car and Station Privileges		59,620.96	48,033.78
Sale of Power		9,061.95	5,948.30
Miscellaneous		5,463.57	6,113.11
TOTAL REVENUE OTHER THAN TRANSPORTATION		\$225,528.37	\$197,785.52
TOTAL RAILROAD OPERATING REVENUES		\$3,630,061.10	\$3,044,755.62
OPERATING EXPENSES			
Maintenance of Way and Structures:			
Superintendence		\$11,580.33	\$11,778.40
Rails		10,875.89	12,847.92
Rail Fastenings and Joints		2,464.22	2,555.01
Special Work		10,795.85	319.25
Roadway and Track Labor		18,980.49	17,171.52
Miscellaneous Roadway and Track Expenses		1,809.61	1,435.19
Care of Track		19,059.09	19,509.83
Tunnels			
Tunnel Structure		7,304.86	7,795.57
Concrete Lining and Cable Ducts		291.63	1,533.57
Ventilating System		787.54	1,884.06
Drainage System		19,474.70	19,340.74
Lighting System		4,455.85	3,868.71
Miscellaneous Expenses		916.15	
Signal and Interlocking System		31,472.11	32,826.26
Telephone and Emergency Alarm System		2,183.59	2,336.99
Miscellaneous Maintenance of Way Expenses		3,591.56	3,091.86
Removal of Snow and Ice		275.07	254.65
Transmission System		9.09	17.19
Distribution System			
Feeders		343.68	46.92
Track Bonding		1,430.07	1,007.82
Contact Rail		3,650.89	4,202.86
Miscellaneous Expenses		44.07	36.70
Buildings and Structures			
Main Power House Building		1,579.35	807.49
Sub-station No. 1 Building		486.88	150.62
Car Shop Building		1,235.29	560.31
Stations, Waiting Rooms		26,312.04	23,705.41
Miscellaneous Buildings		145.63	78.39
Joint Way and Structures—Debit		9,304.05	1,551.14
Depreciation of Way and Structures		14,527.50	58,110.00
TOTAL		\$205,387.08	\$228,824.38
Maintenance of Equipment:			
Superintendence		\$ 9,250.91	\$ 7,600.65
Passenger Cars		33,135.95	43,790.44
Work Cars		120.09	143.42
Electric Equipment of Cars		9,257.71	13,416.91
Main Power House Equipment		33,234.51	22,004.28
Sub-station No. 1 Equipment		132.76	319.15
Sub-station No. 2 Equipment		13.75	205.03
Sub-station No. 3 Equipment		106.24	178.47
Car Shop Machinery and Tools		1,213.40	2,507.04
Car Shop Expenses		10,923.52	11,540.88
Maintenance of Joint Equipment—Credit		5,963.29	431.95
Depreciation of Equipment		7,400.25	29,601.00
TOTAL		\$98,613.32	\$130,465.26

EXHIBIT No. 6—Continued
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31, 1912 AND 1911

OPERATING EXPENSES — Continued		1912	1911
Traffic Expenses :			
Superintendence and Solicitation		\$4,430.48	\$6,355.35
Advertising		7,040.72	9,063.37
TOTAL		\$11,471.20	\$15,418.72
Transportation Expenses :			
Superintendence		\$ 52,184.78	\$ 45,732.37
Wages Main Power House Employees		79,900.59	68,950.73
Fuel for Main Power House		146,686.71	99,642.45
Water for Main Power House		8,704.72	7,631.36
Lubricants for Main Power House		1,784.28	1,544.66
Miscellaneous Supplies and Expenses Main Power House		6,213.93	3,915.93
Wages Sub-station No. 1 Employees		5,019.95	5,076.41
Supplies and Expenses Sub-station No. 1		407.51	328.79
Wages Sub-station No. 2 Employees		4,467.65	4,530.75
Supplies and Expenses Sub-station No. 2		278.59	245.12
Wages Sub-station No. 3 Employees		4,089.25	4,052.38
Supplies and Expenses Sub-station No. 3		458.99	246.61
Power Purchased		72.14	3.12
Power Exchanged—Balance		1,183.23	24.88
Other Operations—Credit		66,710.92	57,790.58
Wages Passenger Motormen		100,268.05	80,249.20
Wages Passenger Conductors		71,220.95	55,486.70
Wages Passenger Trainmen		120,687.95	79,486.75
Wages Other Car Service Employees		39,811.82	34,244.28
Train Supplies and Expenses		17,739.98	14,550.60
Wages Station Employees		196,720.39	178,693.39
Station Supplies and Expenses		19,825.61	13,679.76
Wages Car House Employees		49,145.16	36,510.70
Car House Supplies and Expenses		2,420.22	447.11
Operating Signal and Interlocking System		41,957.81	40,903.95
Operating Telephone System		3,945.32	3,901.10
Other Transportation Expenses		446.35	126.98
Joint Operation of Trains—Debit		5,033.96	959.94
Joint Operation of Trains—Credit		67,145.37	14,878.24
TOTAL		\$844,453.14	\$708,447.44
General Expenses :			
Salaries and Expenses General Officers		\$41,142.16	\$26,105.99
Salaries and Expenses General Office Clerks		42,153.98	23,173.48
General Office Supplies and Expenses		2,913.26	2,578.03
General Law Expenses		11,499.53	5,047.36
Stationery and Printing		5,801.18	3,976.79
Store Expenses		9,111.48	7,312.41
Insurance		3,637.22	2,517.81
Injuries and Damages		8,588.59	14,947.53
Law expenses in connection with Damages		917.34	1,955.83
Miscellaneous General Expenses		22,415.28	16,353.12
TOTAL		\$148,180.02	\$103,968.35
TOTAL RAILROAD OPERATING EXPENSES		\$1,308,104.76	\$1,187,124.15
NET RAILROAD OPERATING REVENUE		\$2,321,956.34	\$1,857,631.47
TAXES ON RAILROAD OPERATING PROPERTIES		209,473.66	194,690.16
OPERATING INCOME		\$2,112,482.68	\$1,662,941.31
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES		36.04%	38.99%
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES		41.80%	45.38%

EXHIBIT No. 7.
RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED DECEMBER 31, 1912
AND TOTALS FOR YEAR ENDED DECEMBER 31, 1911.

MONTHS	Passengers Carried	OPERATING REVENUES						Total Operating Revenue
		Passenger Revenue	Advertising	Other Car and Station Privileges	Sale of Power	Miscellaneous Revenue other than Transportation	Miscellaneous Transportation Revenue	
January 1912 . .	5,107,583	\$300,822.88	\$11,808.82	\$4,749.23	\$ 752.05	\$ 566.08		\$318,699.06
February " . .	4,756,709	280,318.80	12,004.91	4,447.41	975.75	641.07		298,387.94
March " . .	5,080,761	299,070.08	12,585.79	4,881.50	1,173.50	617.42		318,328.29
April " . .	5,027,699	295,166.07	12,921.28	4,568.25	1,202.10	674.46		314,532.16
May " . .	4,971,475	290,114.21	12,842.89	4,749.19	705.80	395.62		308,807.71
June " . .	4,533,702	264,432.51	12,978.19	4,832.60	553.40	547.09	\$13.06	283,356.85
July " . .	4,257,236	246,043.69	12,477.92	4,559.38	577.20	289.33		263,947.52
August " . .	4,323,256	250,322.52	12,141.27	4,858.66	577.00	278.10		268,177.55
September " . .	4,516,740	264,139.27	12,314.91	4,673.82	550.45	229.88		281,908.33
October " . .	5,088,346	299,152.68	14,089.29	6,254.40	648.20	426.90		320,571.47
November " . .	4,998,745	295,027.01	12,501.80	5,549.83	687.20	374.90		314,140.74
December " . .	5,416,942	319,909.95	12,714.82	5,496.69	659.30	422.72		339,203.48
Totals year ended December 31, 1912	58,079,194	\$3,404,519.67	\$151,381.89	\$59,620.96	\$9,061.95	\$5,463.57	\$13.06	\$3,630,061.10
Totals year ended December 31, 1911	56,717,809	\$2,846,945.10	\$137,690.33	\$48,033.78	\$5,948.30	\$6,113.11	\$25.00	\$3,044,755.62
Increase	1,361,385	\$557,574.57	\$13,691.56	\$11,587.18	\$3,113.65			\$585,305.48
Per Cent. of Increase	2.4%	19.6%	9.9%	24.1%	52.3%			19.2%
Decrease						\$649.54	\$11.94	
Per Cent. of Decrease						10.6%	47.8%	

EXHIBIT No. 8
RAILROAD OPERATING EXPENSES, BY MONTHS, FOR YEAR ENDED DECEMBER 31, 1912
AND TOTALS FOR YEAR ENDED DECEMBER 31, 1911

MONTHS	OPERATING EXPENSES (Including Depreciation)						Net Operating Revenue	Ratio of Operating Expenses to Operating Revenue
	Maintenance of Way and Structures	Maintenance of Equipment	Traffic Expenses	Transportation Expenses	General Expenses	Total Operating Expenses		
January 1912 . .	\$20,081.42	\$10,816.09	\$1,832.43	\$78,961.56	\$12,593.15	\$124,284.65	\$194,414.41	39.00%
February " . .	18,536.82	9,579.03	1,989.40	69,903.11	11,330.23	111,338.59	187,049.35	37.31%
March " . .	20,123.75	11,985.90	358.49	72,150.40	12,256.34	116,874.88	201,453.41	36.71%
April " . .	14,366.84	7,625.78	551.64	71,955.55	13,607.57	108,107.38	206,424.78	34.37%
May " . .	14,414.80	6,337.38	1,203.71	70,760.50	11,723.12	104,439.51	204,368.20	33.82%
June " . .	14,714.78	6,384.49	2,066.15	67,857.20	15,291.80	106,314.42	177,042.43	37.52%
July " . .	13,650.92	6,803.68	1,019.44	67,725.70	10,594.04	99,793.78	164,153.74	37.81%
August " . .	15,288.05	7,689.91	469.93	66,134.27	11,698.96	101,281.12	166,896.43	37.77%
September " . .	16,858.45	6,072.32	485.20	64,070.59	10,283.18	97,769.74	184,138.59	34.68%
October " . .	19,060.15	10,115.71	615.92	68,411.71	12,287.31	110,490.80	210,080.67	34.47%
November " . .	18,244.59	7,128.03	550.99	68,984.80	12,051.12	106,959.53	207,181.21	34.04%
December " . .	20,046.51	8,075.00	327.90	77,537.75	14,463.20	120,450.36	218,753.12	35.51%
Totals year ended December 31, 1912	\$205,387.08	\$98,613.32	\$11,471.20	\$844,453.14	\$148,180.02	\$1,308,104.76	\$2,321,956.34	36.04%
Totals year ended December 31, 1911	\$228,824.38	\$130,465.26	\$15,418.72	\$708,447.44	\$103,968.35	\$1,187,124.15	\$1,857,631.47	38.99%
Increase				\$136,005.70	\$44,211.67	\$120,980.61	\$464,324.87	
Per Cent. of Increase				19.2%	42.5%	10.2%	25%	
Decrease	\$23,437.30	\$31,851.94	\$3,947.52					2.95%
Per Cent. of Decrease	10.2%	24.4%	25.6%					7.5%

EXHIBIT No. 9

TRAFFIC STATISTICS FOR YEARS ENDED DECEMBER 31, 1912 AND 1911

	1912	1911
AVERAGE MILES OF ROAD OPERATED	7.910	7.400
NUMBER OF REVENUE CAR MILES OPERATED	7,950,413	7,150,826
PASSENGER REVENUE	\$3,404,519.67	\$2,846,945.10
MISCELLANEOUS RAILROAD REVENUE	225,541.43	197,810.52
GROSS RAILROAD OPERATING REVENUE	\$3,630,061.10	\$3,044,755.62
OPERATING EXPENSES (Excluding Taxes)	1,308,104.76	1,187,124.15
NET RAILROAD OPERATING REVENUE	\$2,321,956.34	\$1,857,631.47
Passenger Traffic:		
Number of Passengers Carried	58,079,194	56,717,809
Number of Passengers Carried per Mile of Road	7,342,502	7,664,568
Number of Passengers per Revenue Car Mile	7.31	7.93
Revenues and Operating Expenses:		
Passenger Revenue per Mile of Road	\$430,407.04	\$384,722.31
Gross Railroad Operating Revenue per Mile of Road	458,920.49	411,453.46
Operating Expenses (Excluding Taxes) per Mile of Road	165,373.54	160,422.18
Net Railroad Operating Revenue per Mile of Road	293,546.95	251,031.28
Passenger Revenue per Revenue Car Mile	\$0.4282	\$0.3981
Gross Railroad Operating Revenue per Revenue Car Mile	0.4566	0.4258
Operating Expenses (Excluding Taxes) per Revenue Car Mile	0.1645	0.1660
Net Railroad Operating Revenue per Revenue Car Mile	0.2921	0.2598
Passenger Revenue per Passenger	\$0.0586	\$0.0502
Gross Railroad Operating Revenue per Passenger	0.0625	0.0537
Operating Expenses (Excluding Taxes) per Passenger	0.0225	0.0209
Net Railroad Operating Revenue per Passenger	0.0400	0.0328

EXHIBIT No. 10

AVERAGE MILEAGE OPERATED DURING YEARS ENDED DECEMBER 31, 1912 AND 1911

	1912	1911
AVERAGE MILES OF SINGLE TRACK:		
In New York	6.318	6.320
In New Jersey	9.425	8.420
TOTALS	15.743	14.740
AVERAGE MILES OF ROAD:		
In New York	3.160	3.160
In New Jersey	4.750	4.240
TOTALS	7.910	7.400

EXHIBIT No. 11

ACTUAL MILEAGE IN OPERATION AT DECEMBER 31, 1912

MILES OF TRACK		
IN NEW YORK:		
Main Lines	6.318	
Sidings and Crossovers . . . . .	.771	
Total Track in New York		7.089
IN NEW JERSEY:		
Main Lines	9.425	
Sidings and Crossovers . . . . .	.335	
Car Yard and approach	1.908	
Total Track in New Jersey		11.668
Total Mileage all Tracks		18.757
MILES OF ROAD:		
In New York	3.16	
In New Jersey	4.75	
Total Miles of Road		7.91

EXHIBIT No. 12

DESCRIPTION OF CAR EQUIPMENT

Steel Passenger Cars with Motors	226
Steel Derrick Car with Motor	1
Flat Cars	4

DIMENSIONS OF PASSENGER CARS

Length over all	48 feet	0 inches
Width over all	8 "	11 ³ / ₁₆ "
Height over all	12 "	0 "
Seating Capacity	44 persons	

EXHIBIT No. 13

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT

	CAPACITY
4 Turbo Units A. C.	18,000 K.W.
9 Water Tube Boilers	}
9 Superheaters	
9 Economizers	
11 Rotary Converters	16,500 K.W.
33 Transformers	18,150 K.W.
Transmission Cables	11,000 Volt A.C.
Distribution Cables	625 Volt D.C.

EXHIBIT No. 14

**HUDSON TERMINAL BUILDINGS REVENUES, EXPENSES AND TAXES FOR
THE YEARS ENDED DECEMBER 31, 1912 AND 1911**

1911		1912	
		OPERATING REVENUES :	
	\$1,541,163.38	GROSS RENTALS	\$1,634,745.67
	32,490.31	MISCELLANEOUS REVENUES	34,301.36
	\$1,573,653.69		\$1,669,047.03
	16,997.64	Less Assumed Leases in other Buildings . .	16,033.86
	\$1,556,656.05	NET TOTAL OPERATING REVENUES	\$1,653,013.17
		OPERATING EXPENSES :	
\$ 65,224.91		Maintenance of Structures and Plant . . .	\$ 82,862.90
269,947.91		Expenses of Operation	300,996.83
66,187.37		General Expenses	88,580.75
\$401,360.19			472,440.48
40,002.00		Depreciation of Buildings and Plant . . .	10,000.50
	441,362.19	TOTAL OPERATING EXPENSES	482,440.98
	\$1,115,293.86	NET OPERATING REVENUE	\$1,170,572.19
	202,630.58	TAXES	224,202.55
	\$912,663.28	NET INCOME FROM HUDSON TERMINAL BUILDINGS	\$946,369.64
28.35%	Ratio of Operating Expenses to Net Total Operating Revenues.		29.18%

FIFTH
ANNUAL REPORT

OF

HUDSON AND MANHATTAN
RAILROAD COMPANY

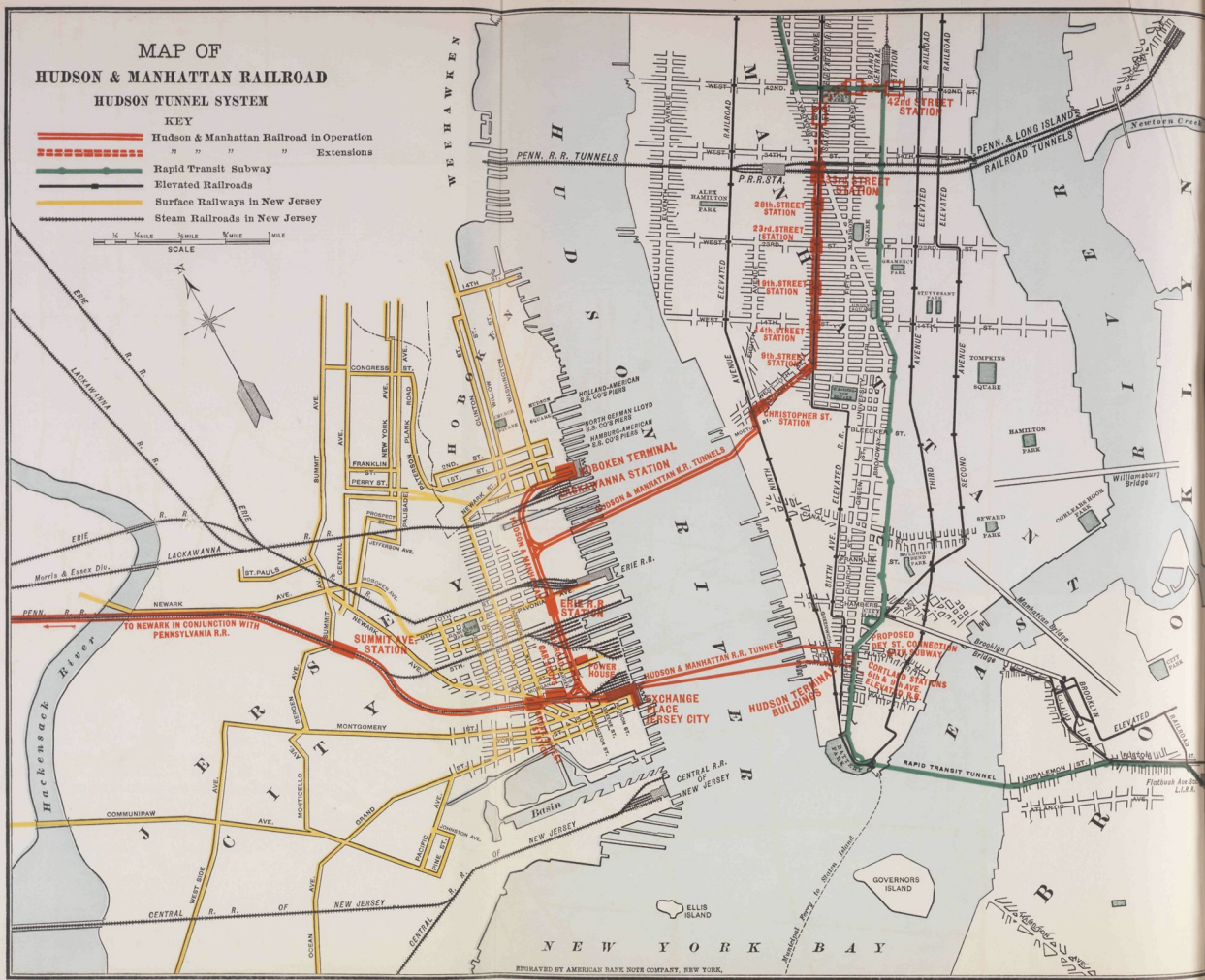
YEAR ENDED DECEMBER 31st 1913

MAP OF HUDSON & MANHATTAN RAILROAD HUDSON TUNNEL SYSTEM

KEY

- Hudson & Manhattan Railroad in Operation
- - - Extensions
- Rapid Transit Subway
- - - Elevated Railroads
- Surface Railways in New Jersey
- - - Steam Railroads in New Jersey

1/2 Mile 1 Mile 1 1/2 Miles
SCALE



NEW YORK BAY

PREPARED BY AMERICAN BANK NOTE COMPANY, NEW YORK.



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON AND MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS, MARCH 30th 1914

BOARD OF DIRECTORS

LEWIS I. CLARKE	-	-	New York City	ALEXANDER J. HEMPHILL	-	New York City
GEORGE W. DAVISON	-	-	New York City	FREDERIC B. JENNINGS	-	New York City
PLINY FISK	-	-	New York City	RICHARD W. MEIRS	-	Philadelphia, Pa.
WILBUR C. FISK	-	-	New York City	WALTER G. OAKMAN	-	New York City
JEROME J. HANAUER	-	-	New York City	JOHN W. PLATTEN	-	New York City
WILLIAM H. WILLIAMS	-	-	Plainfield, N. J.			

GENERAL OFFICERS

WILBUR C. FISK	-	-	President	RICHARD W. MEIRS	-	Vice-President
FLETCHER H. SILLICK	-	-	Comptroller	JAMES S. O'NEALE	-	Secretary and Treasurer
J. VIPOND DAVIES	-	-	Chief Engineer			

GENERAL COUNSEL

STETSON, JENNINGS & RUSSELL
15 Broad Street, New York

ACCOUNTANTS

PATTERSON, TEELE & DENNIS, Accountants and Auditors
30 Broad Street, New York

TRANSFER AGENTS

HARVEY FISK & SONS, Bankers, 62 Cedar Street, New York

TRUSTEES UNDER MORTGAGES

CENTRAL TRUST COMPANY OF NEW YORK
54 Wall Street, New York

GUARANTY TRUST COMPANY OF NEW YORK
140 Broadway, New York

UNITED STATES MORTGAGE AND TRUST COMPANY
55 Cedar Street, New York

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK

HUDSON AND MANHATTAN RAILROAD COMPANY

NEW YORK, March 30th 1914.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

The President and Board of Directors submit the within report of the operation of the company for the fiscal year ended December 31st 1913. The following Condensed Comparative Statement of Income and the detailed Income Account (Exhibit 2) are stated for the eleven months from February 1st 1913, for the reason that the provisions of the Plan of Re-adjustment of Debt in respect to bond interest became effective as at that date, and the results of prior periods are not fairly comparable with subsequent operations.

Condensed Comparative Statement of Income

	11 Months Ended December 31st 1912	11 Months Ended December 31st 1913
Gross revenue from all sources	\$4,882,700.97	\$5,037,862.39
Operating expenses and taxes	2,077,864.60	2,166,939.02
Net operating revenue	2,804,836.37	2,870,923.37
Reserves for amortization of property	21,285.50	148,390.88
Gross income applicable to fixed charges	2,783,550.87	2,722,532.49
Income deductions other than bond interest	210,409.43	245,078.24
Net income applicable to bond interest	2,573,141.44	2,477,454.25
Deduct interest on N. Y. & J. 5's		229,166.67
		2,248,287.58
Deduct interest on		
First Lien and Refunding 5's \$1,589,571.53	} Prior to Feb. 1st 1913 Not Comparable	1,628,511.53
Hudson and Manhattan 4½'s 38,940.00		
Balance of net income for the period available for interest on		
Adjustment Income Bonds		\$619,776.05

Detailed statements of revenues and expenses for the full year 1913 will be found in Exhibit No. 6 hereinafter submitted.

The accounts of the company have been audited by Messrs. Patterson, Teele & Dennis, Accountants and Auditors, and their certificate is included herein.

Readjustment Plan

The plan for the readjustment of the company's funded debt as set forth in the agreement of January 14th 1913, was declared operative as of August 1st 1913, and all of its provisions have been carried out. Under this plan all, except \$944,000, of the old First Mortgage 4½% Bonds have been exchanged for the new First Lien and Refunding Mortgage 5% Bonds and the new Adjustment Income Mortgage Bonds. Both of the new issues have been approved by the Public Service Commission of New York and the State Board of Public Utility Commissioners of New Jersey. That the Readjustment Plan has fully rehabilitated the company's finances has been convincingly demonstrated. For the eleven months ended December 31st 1913, the net income available for interest on the First Lien and Refunding Mortgage 5% Bonds has been approximately 40% in excess of the amount required for that purpose. Out of said excess net income interest at the rate of 2% per annum has been declared on the Adjustment Income Bonds for the same period.

Bonds Listed on Stock Exchange

On January 28th 1914, the Listing Committee and the Board of Governors of the New York Stock Exchange approved the company's application to list the First Mortgage 5% Thirty Year Bonds of the New York and Jersey Railroad Company, the First Lien and Refunding Mortgage 5% Bonds, Series A, and the Adjustment Income Mortgage 5% Bonds. A copy of said application is enclosed with this report and will be found to contain much interesting matter. Application will also be made to list the bonds on the London Stock Exchange.

Change in Trustee

In conformity with the requirement of the New York Stock Exchange that one trustee may not serve under two separate mortgages of the same company, the Guaranty Trust Company of New York has resigned its trusteeship of the New York and Jersey Railroad Company's First Mortgage and the United States Mortgage and Trust Company has been appointed trustee of that mortgage.

Amortization Reserves

Beginning with the accounts of February 1913, a new plan for the amortization of capital was inaugurated in accordance with the requirement of the Public Service Commission for the First District of the State of New York. This plan necessitates setting aside in actual cash each year a sum which, invested at 4% interest compounded annually, will provide sufficient funds for the replacement of the various units of property at the anticipated expirations of their lives. The funds thus far accumulated have been invested to produce with safety a somewhat higher return, thus assuring the adequacy of the plan.

In 1912 only \$31,928.25 amortization reserves were charged as operating expenses, while in 1913 such charges amounted to \$148,390.88, or an increase of \$116,462.63. This element should be borne in mind in making comparisons of the operating expenses for the two years under discussion.

Physical Condition

All portions of the company's property have been maintained at the highest standards of efficiency, and all expenditures for renewals, replacements and repairs have been made out of current income. In every respect the physical condition of the property is excellent.

Hudson Terminal Buildings

Notwithstanding the opening of several large new office buildings in our neighborhood, the Hudson Terminal Buildings continue to hold the patronage of the present leaseholders and to receive that of many new tenants. The buildings are practically fully rented.

Traffic

The number of passengers carried during 1913 was 59,434,152, an increase of 1,354,958 (2.3%) over 1912. A higher rate of increase is anticipated for the current year.

In connection with the Pennsylvania Railroad, this company is now carrying United States mails between Manhattan Transfer (Newark, N. J.) and Hudson Terminal. This arrangement makes a saving of time in the receipt and dispatch of mails between Southern and Western points and the downtown section of New York City.

Athletic Association

The past year has been a successful one for the Hudson and Manhattan Railroad Athletic Association. Its membership now comprises about 80% of the employees of the company. Commodious quarters have been furnished by the company and equipped with pool tables, gymnasium apparatus, hand ball court, and a well stocked reading room, have afforded social intercourse and healthful recreation. A motion-picture machine has recently been installed by the association and has been used not only to furnish entertainment, but also to illustrate frequent instructive lectures on matters pertaining to railway operation, particularly the subject of "safety."

Employees' Benefit Funds

On March 1st 1913, an agreement was entered into between the company and Hudson and Manhattan Railroad Athletic Association, representing the employees, under which Sick Benefit and Death Benefit Funds have been established. The operation of these Funds has been highly satisfactory, and the cordial relations which already existed between the company and its employees have been greatly strengthened. The Funds are managed by a committee composed of officers of the company and employees elected by the Athletic Association.

Acknowledgement is made of the faithful and efficient services rendered by the officers and employees of the company.

Respectfully submitted,

WILBUR C. FISK,
President.

ARTHUR W. TEELE, C. P. A.
JOHN WHITMORE,
HAMILTON S. CORWIN, C. P. A.
HAROLD F. LEEMING, C.P.A.(OHIO)

F. R. C. STEELE, C. P. A. (MASS)
BOSTON

PATTERSON, TEELE & DENNIS
ACCOUNTANTS AND AUDITORS
NEW YORK AND BOSTON

CABLE ADDRESS.
"DIGNUS"

30 Broad Street, New York, March 30th 1914.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

We have audited the books and accounts of Hudson and Manhattan Railroad Company and hereby certify that the within balance sheet, income account and profit and loss statement are in accordance with the books and correctly set forth the financial condition of the company at December 31st 1913, and the results of operations to that date; with the exception of a contingent liability of approximately \$8,000 on a disputed account.

PATTERSON, TEELE & DENNIS,

Accountants and Auditors.

HUDSON AND MANHATTAN RAILROAD COMPANY
ACCOUNTING DEPARTMENT

NEW YORK, March 30th 1914.

WILBUR C. FISK, Esq.,
President.

Dear Sir:

Submitted herewith will be found financial statements and operating statistics as enumerated below:

EXHIBIT	PAGE
1 Balance sheet as of December 31st 1913 - - - - -	10
2 Income account for eleven months ended December 31st 1912-1913 - -	12
3 Profit and loss account - - - - -	13
4 Bonds outstanding - - - - -	14
5 Equipment obligations outstanding - - - - -	15
6 Detail of railroad revenues, expenses and taxes for years 1912-1913 -	16
7 Railroad operating revenues, by months, for years 1912-1913 - -	18
8 Railroad operating expenses, by months, for years 1912-1913 - -	19
9 Traffic statistics - - - - -	20
10 Mileage operated during 1913 - - - - -	21
11 Description of car equipment - - - - -	22
12 Description of power plant equipment - - - - -	22
13 Hudson Terminal Buildings income account for years 1912-1913 - -	23
14 Balance sheet as of December 31 1912 - - - - -	24

Very truly yours,

J. GERRY DOBBINS,
Auditor.

Approved:
FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1

CONDENSED BALANCE SHEET

A S S E T S

Property accounts	\$120,243,786.25	
Less reserve for amortization	650,572.28	
		\$119,593,213.97
Investment (Tunnel Advertising Co. stock)		1,000.00
Proceeds of sales of property released from the lien of New York and Jersey Railroad Company mortgage, deposited with trustee of the mortgage		114,099.14
Amortization funds, deposited or invested		185,672.98
Bond discount and expense in process of amortization . .		3,656,636.52
Working assets:		
Current cash account	1,072,194.32	
Current accounts receivable	233,264.13	
New York City Revenue 5% Bonds	250,000.00	
Deposits with public departments	9,060.66	
Prepaid insurance, taxes, etc.	26,946.94	
Materials and supplies—less reserves	201,789.62	
Accounts in suspense	1,475.76	
		1,794,731.43
Total working assets		\$125,345,354.04

EXHIBIT No. 1

AS OF DECEMBER 31st 1913

LIABILITIES AND CAPITAL

Common capital stock and scrip	\$39,994,890.00
Preferred capital stock and scrip	5,242,151.25
Stocks held in reserve to redeem outstanding securities of predecessor companies	12,908.75
New York and Jersey Railroad Company 5% mortgage bonds	5,000,000.00
*First mortgage 4½% bonds	944,000.00
First lien and refunding mortgage 5% bonds	36,562,633.66
Adjustment income mortgage bonds	33,102,000.00
Real estate mortgages	1,165,500.00
Car purchase obligations payable in installments	1,192,000.00
Readjustment reserve	609,265.48

Working liabilities :

Current accounts payable	182,646.56
Accrued interest	915,154.03
Accrued taxes	13,119.03
Rentals received in advance	17,845.91
Temporary operating reserves	47,534.00
Surplus income for distribution as interest on adjustment income bonds	343,705.37
	<hr/>
Total working liabilities	1,520,004.90
	<hr/>
	\$125,345,354.04
	<hr/>

* The balance of the issue of old 4½% bonds (\$66,204,000.00) has been deposited with the trustees of the new first lien and refunding mortgage and the adjustment income mortgage in accordance with the terms thereof.

EXHIBIT No. 2
INCOME ACCOUNT FOR ELEVEN MONTHS ENDED DECEMBER 31st 1913
COMPARED WITH ELEVEN MONTHS ENDED DECEMBER 31st 1912

1912			1913
	\$3,103,696.79	GROSS REVENUE—PASSENGER FARES	
		MISCELLANEOUS REVENUE FROM RAILROAD OPERATIONS :	
\$139,573.07		Advertising	\$150,040.23
54,871.73		Other Car and Station Privileges	60,034.18
8,309.90		Sale of Power	6,979.72
13.06		Miscellaneous Transportation Revenue	2,194.45
4,897.49		Other Miscellaneous Revenue	25,357.69
	207,665.25	TOTAL MISCELLANEOUS RAILROAD REVENUE	244,606.27
	\$3,311,362.04	TOTAL RAILROAD REVENUE	\$3,413,333.01
		OPERATING EXPENSES OF RAILROAD :	
\$175,620.66		Maintenance of Way and Structures { Actual	\$204,226.87
9,685.00		Reserve	56,599.62
82,863.73		Maintenance of Equipment { Actual	138,466.97
4,933.50		Reserve	57,999.26
9,638.77		Traffic Expenses	1,753.86
765,491.58		Transportation Expenses	726,281.94
135,586.87		General Expenses	151,831.11
	1,183,820.11	TOTAL OPERATING EXPENSES OF RAILROAD	1,337,159.63
	\$2,127,541.93	NET OPERATING REVENUE FROM RAILROAD	\$2,076,173.38
	249,237.00	TAXES ON RAILROAD OPERATING PROPERTIES	245,484.61
	\$1,878,304.93	NET INCOME FROM RAILROAD OPERATION	\$1,830,688.77
\$872,473.65		NET INCOME FROM HUDSON TERMINAL BUILDINGS	\$844,239.04
3,145.68		NET INCOME FROM OTHER REAL ESTATE PROPERTIES	15,938.88
	875,619.33	TOTAL NET INCOME FROM OUTSIDE OPERATIONS	860,177.92
	\$2,753,924.26	TOTAL NET INCOME FROM ALL OPERATING SOURCES	\$2,690,866.69
	29,626.61	NON-OPERATING INCOME	31,665.80
	\$2,783,550.87	GROSS INCOME	\$2,722,532.49
		INCOME DEDUCTIONS OTHER THAN BOND INTEREST	
\$66,166.66		Interest on Car Purchase Agreements	\$57,733.34
20,258.34		Interest on Real Estate Mortgages	35,932.92
23,692.43		Interest on Loans Payable	55,400.31
55,675.00		Rental Tracks, Yards and Terminals	50,329.08
44,617.00		Amortization of Debt Discount and Expense	33,820.27
.		Profit and Loss Adjustments	7,862.32
.		Federal Income Tax on Bond Interest	4,000.00
	210,409.43	DEDUCTIONS PRIOR TO BOND INTEREST	245,078.24
	\$2,573,141.44	NET INCOME APPLICABLE TO BOND INTEREST	\$2,477,454.25
		Deduct Bond Interest on :	
	Prior to	\$5,000,000 N. Y. & J. 5's	\$229,166.67
	Feb. 1st 1913	\$944,000 H. & M. 4½'s	38,940.00
	Not	\$36,562,633.66 First Lien Refunding 5's	1,589,571.53
	Comparable	BALANCE OF NET INCOME, FOR THE PERIOD, AVAILABLE FOR INTEREST ON ADJUSTMENT INCOME BONDS	1,857,678.20
			\$619,776.05

EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR ELEVEN MONTHS ENDED DECEMBER 31st 1913

Earnings for eleven months ended December 31st 1913, applicable as interest on Adjustment Income Bonds. (See Exhibit No. 2)	\$619,776.05
Less installment of interest on Adjustment Income Bonds earned during the five months ended June 30th declared August 21st and paid September 30th 1913, at the rate of \$8.34 per \$1,000 bond	276,070.68
	<hr/>
Balance available for distribution as interest on Adjustment Income Bonds. (See Exhibit No. 1)	<u>\$343,705.37</u>

NOTE A: Coupon No. 2, representing the interest on Adjustment Income Bonds for the six months ended December 31st 1913, was declared on February 20th, payable April 1st 1914, at the rate of \$10 per \$1,000 bond (2%), amounting to \$331,020, leaving a balance of \$12,685.37 carried forward to the next interest period.

NOTE B: The deficit of \$96,041.32 shown on the balance sheet of December 31st 1912, modified by January 1913 operations, was provided for in the Plan of Readjustment of Funded Debt. It has been absorbed in the account "Readjustment Reserve" as shown on the balance sheet of December 31st 1913.

EXHIBIT No. 4

BONDS OUTSTANDING, DECEMBER 31st 1913

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey R. R. Co., 1st Mort.	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage . .	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	36,562,633.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	*	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
Hudson and Manhattan R. R. Co., 1st Mort.	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	(closed)	944,000.00	Guaranty Trust Co. of N. Y.
						\$103,574,000.00	\$75,608,633.66	

* As may be earned and declared up to 5%. Rate earned and declared for eleven months to December 31st 1913, 2% per annum.

EXHIBIT No. 5

EQUIPMENT OBLIGATIONS OUTSTANDING, DECEMBER 31st 1913

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALL- MENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N. Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$736,220	\$506,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sept. 1	March 1, 1919
Guaranty Trust Co. of N. Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	312,500	350,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N. Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	174,000	336,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$2,414,720	\$1,222,720	\$1,192,000					

EXHIBIT No. 6
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1912 AND 1913

OPERATING REVENUES		1912	1913
Revenue from Transportation :			
Passenger Revenue		\$3,404,519.67	\$3,478,084.18
Miscellaneous Transportation Revenue		13.06	2,196.45
TOTAL REVENUE FROM TRANSPORTATION		\$3,404,532.73	\$3,480,280.63
Other Railroad Operating Revenues :			
Advertising Privileges		\$151,381.89	\$ 162,732.15
Other Car and Station Privileges		59,620.96	65,334.27
Sale of Power		9,061.95	7,632.27
Miscellaneous		5,463.57	27,734.12
TOTAL REVENUE OTHER THAN TRANSPORTATION		\$225,528.37	\$263,432.81
TOTAL RAILROAD OPERATING REVENUES		\$3,630,061.10	\$3,743,713.44
OPERATING EXPENSES			
Maintenance of Way and Structures :			
Superintendence		\$11,580.33	\$11,326.28
Ballast			232.29
Ties			1,324.50
Rails		10,875.89	15,689.44
Rail Fastenings and Joints		2,464.22	3,360.00
Special Work		10,795.85	10,870.84
Roadway and Track Labor		18,980.49	33,731.94
Miscellaneous Roadway and Track Expenses		1,809.61	2,868.81
Care of Track		19,059.09	21,153.32
Tunnels			
Tunnel Structure		7,304.86	7,135.65
Concrete Lining and Cable Ducts		291.63	1.70
Ventilating System		787.54	825.22
Drainage System		19,474.70	24,263.96
Lighting System		4,455.85	4,396.08
Miscellaneous Expenses		916.15	1,448.28
Signal and Interlocking System		31,472.11	29,957.17
Telephone and Emergency Alarm System		2,183.59	2,663.93
Miscellaneous Maintenance of Way Expenses		3,591.56	3,902.64
Removal of Snow and Ice		275.07	92.55
Transmission System		9.09	.81
Distribution System			
Feeders		343.68	2,013.52
Track Bonding		1,430.07	1,404.27
Contact Rail		3,650.89	4,013.18
Miscellaneous Expenses		44.07	8.02
Buildings and Structures			
Main Power House Building		1,579.35	1,547.27
Sub-station No. 1 Building		486.88	325.00
Car Shop Building		1,235.29	800.28
Stations, Waiting Rooms		26,312.04	32,371.28
Miscellaneous Buildings		145.63	741.82
Joint Way and Structures—Debit		9,304.05	6,280.43
Depreciation of Way and Structures		14,527.50	56,599.62
TOTAL		\$205,387.08	\$281,350.10
Maintenance of Equipment :			
Superintendence		\$ 9,250.91	\$ 7,660.72
Passenger Cars		33,135.95	76,425.41
Work Cars		120.09	145.18
Electric Equipment of Cars		9,257.71	8,618.57
Main Power House Equipment		33,234.51	54,411.73
Sub-station No. 1 Equipment		132.76	539.12
Sub-station No. 2 Equipment		13.75	402.63
Sub-station No. 3 Equipment		106.24	433.92
Car Shop Machinery and Tools		1,213.40	2,876.56
Car Shop Expenses		10,923.52	12,987.22
Maintenance of Joint Equipment—Credit		5,963.29	15,413.12
Depreciation of Equipment		7,400.25	57,999.26
TOTAL		\$98,613.32	\$207,087.20

EXHIBIT No. 6—Continued
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1912 AND 1913

OPERATING EXPENSES — Continued	1912	1913
Traffic Expenses:		
Superintendence and Solicitation	\$4,430.48	\$1,105.00
Advertising	7,040.72	867.35
TOTAL	\$11,471.20	\$1,972.35
Transportation Expenses:		
Superintendence	\$52,184.78	\$ 47,782.32
Wages Main Power House Employees	79,900.59	81,719.10
Fuel for Main Power House	146,686.71	135,625.01
Water for Main Power House	8,704.72	6,016.98
Lubricants for Main Power House	1,784.28	1,682.64
Miscellaneous Supplies and Expenses Main Power House	6,213.93	5,183.84
Wages Sub-station No. 1 Employees	5,019.95	5,590.41
Supplies and Expenses Sub-station No. 1	407.51	562.77
Wages Sub-station No. 2 Employees	4,467.65	4,257.45
Supplies and Expenses Sub-station No. 2	278.59	222.20
Wages Sub-station No. 3 Employees	4,089.25	5,258.28
Supplies and Expenses Sub-station No. 3	458.99	595.59
Power Purchased	72.14	—
Power Exchanged—Balance	1,183.23	6,288.01
Other Operations—Credit	66,710.92	69,701.40
Wages Passenger Motormen	100,268.05	106,261.85
Wages Passenger Conductors	71,220.95	74,302.25
Wages Passenger Trainmen	120,687.95	121,358.10
Wages Other Car Service Employees	39,811.82	32,324.32
Train Supplies and Expenses	17,739.98	22,031.16
Wages Station Employees	196,720.39	170,302.50
Station Supplies and Expenses	19,825.61	16,013.09
Wages Car House Employees	49,145.16	55,337.91
Car House Supplies and Expenses	2,420.22	2,543.17
Operating Signal and Interlocking System	41,957.81	42,551.39
Operating Telephone System	3,945.32	4,066.18
Other Transportation Expenses	446.35	288.31
Joint Operation of Trains—Debit	5,033.96	4,889.34
Joint Operation of Trains—Credit	67,145.37	73,637.41
TOTAL	\$844,453.14	\$797,139.34
General Expenses:		
Salaries and Expenses General Officers	\$41,142.16	\$38,980.78
Salaries and Expenses General Office Clerks	42,153.98	44,202.61
General Office Supplies and Expenses	2,913.26	2,974.81
General Law Expenses	11,499.53	16,961.40
Stationery and Printing	5,801.18	5,021.42
Store Expenses	9,111.48	13,498.55
Insurance	3,637.22	3,194.03
Injuries and Damages	8,588.59	17,970.06
Law Expenses in connection with Damages	917.34	2,339.91
Contributions to Employees' Benefit Fund	—	1,622.90
Miscellaneous General Expenses	22,415.28	20,710.74
TOTAL	\$148,180.02	\$167,477.21
TOTAL RAILROAD OPERATING EXPENSES	\$1,308,104.76	\$1,455,026.20
NET RAILROAD OPERATING REVENUE	\$2,321,956.34	\$2,288,687.24
TAXES ON RAILROAD OPERATING PROPERTIES	271,427.32	261,306.61
OPERATING INCOME	\$2,050,529.02	\$2,027,380.63
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES	36.04%	38.86%
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES	43.51%	45.84%

EXHIBIT No. 7.

**RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st 1913
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1912.**

MONTHS	Passengers Carried	OPERATING REVENUES						
		Passenger Revenue	Advertising	Other Car and Station Privileges	Sale of Power	Miscellaneous Revenue other than Transportation	Miscellaneous Transportation Revenue	Total Operating Revenue
January 1913 . .	5,262,492	\$309,357.44	\$12,691.92	\$5,300.09	\$ 652.55	\$2,376.43	\$ 2.00	\$330,380.43
February " . .	4,674,665	274,852.10	12,706.50	5,240.26	651.55	1,799.40		295,249.81
March " . .	5,382,204	316,767.78	13,651.17	5,915.24	677.65	1,925.22		338,937.06
April " . .	5,113,711	300,030.51	13,573.05	5,444.88	607.50	2,422.31		322,078.25
May " . .	5,079,068	296,553.63	13,970.63	6,777.46	665.10	2,391.37		320,358.19
June " . .	4,756,624	276,233.36	13,394.12	5,191.48	640.30	2,405.38		297,864.64
July " . .	4,367,764	251,265.18	13,191.85	4,800.51	677.65	2,413.39	1,000.00	273,348.58
August " . .	4,380,376	252,865.03	13,018.67	5,121.19	559.70	2,339.83	6.65	273,911.07
September " . .	4,716,730	275,913.32	13,716.66	4,752.61	558.55	2,381.54		297,322.68
October " . .	5,123,765	300,916.64	14,268.57	5,262.98	635.80	2,393.33		323,477.32
November " . .	5,033,769	296,241.23	14,261.28	5,817.95	761.25	2,420.75	353.40	319,855.86
December " . .	5,542,984	327,087.96	14,287.73	5,709.62	544.67	2,465.17	834.40	350,929.55
Totals year ended December 31st 1913	59,434,152	\$3,478,084.18	\$162,732.15	\$65,334.27	\$7,632.27	\$27,734.12	\$2,196.45	\$3,743,713.44
Totals year ended December 31st 1912	58,079,194	\$3,404,519.67	\$151,381.89	\$59,620.96	\$9,061.95	\$5,463.57	\$13.06	\$3,630,061.10
Increase	1,354,958	\$73,564.51	\$11,350.26	\$5,713.31		\$22,270.55	\$2,183.39	\$113,652.34
Per Cent. of Increase	2.3%	2.2%	7.5%	9.6%		407.6%		3.1%
Decrease					\$1,429.68			
Per Cent. of Decrease					15.8%			

EXHIBIT No. 8
RAILROAD OPERATING EXPENSES, BY MONTHS FOR YEAR ENDED DECEMBER 31st 1913
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1912

MONTHS	OPERATING EXPENSES (Including Depreciation)						Net Operating Revenue	Ratio of Operating Expenses to Operating Revenue
	Maintenance of Way and Structures	Maintenance of Equipment	Traffic Expenses	Transportation Expenses	General Expenses	Total Operating Expenses		
January 1913 . .	\$20,523.61	\$10,620.97	\$218.49	\$70,857.40	\$15,646.10	\$117,866.57	\$212,513.86	35.68%
February " . .	23,099.48	15,897.10	169.50	65,715.06	14,158.08	119,039.22	176,210.59	40.32%
March " . .	25,733.90	18,244.76	259.10	71,642.02	14,000.96	129,880.74	209,056.32	38.32%
April " . .	26,135.60	18,160.11	159.60	65,479.40	10,797.24	120,731.95	201,346.30	37.48%
May " . .	23,510.92	18,463.79	109.30	66,039.77	10,933.21	119,056.99	201,301.20	37.16%
June " . .	24,851.65	18,377.40	113.40	62,554.68	11,987.54	117,884.67	179,979.97	39.58%
July " . .	20,877.09	16,440.62	299.52	64,397.16	13,400.57	115,414.96	157,933.62	42.22%
August " . .	22,107.11	15,774.36	119.00	63,753.80	14,062.92	115,817.19	158,093.88	42.28%
September " . .	22,793.35	19,200.81	112.55	62,901.54	14,161.15	119,169.40	178,153.28	40.08%
October " . .	22,114.58	18,533.46	167.89	67,253.97	14,839.74	122,909.64	200,567.68	38.00%
November " . .	23,957.01	18,773.45	102.80	63,626.07	15,350.53	121,809.86	198,046.00	38.08%
December " . .	25,645.80	18,600.37	141.20	72,918.47	18,139.17	135,445.01	215,484.54	38.60%
Totals year ended December 31st 1913	\$281,350.10	\$207,087.20	\$1,972.35	\$797,139.34	\$167,477.21	\$1,455,026.20	\$2,288,687.24	38.86%
Totals year ended December 31st 1912	\$205,387.08	\$98,613.32	\$11,471.20	\$844,453.14	\$148,180.02	\$1,308,104.76	\$2,321,956.34	36.04%
Increase	\$75,963.02	\$108,473.88			\$19,297.19	\$146,921.44		2.82%
Per Cent. of Increase	36.9%	110%			13%	11.2%		7.8 %
Decrease			\$9,498.85	\$47,313.80			\$33,269.10	
Per Cent. of Decrease			82.8%	5.6%			1.4%	

EXHIBIT No. 9

TRAFFIC STATISTICS FOR YEARS ENDED DECEMBER 31st 1912 AND 1913

	1912	1913
MILES OF ROAD OPERATED	7.91	7.91
NUMBER OF REVENUE CAR MILES OPERATED	7,950,413	7,991,953
PASSENGER REVENUE	\$3,404,519.67	\$3,478,084.18
MISCELLANEOUS RAILROAD REVENUE	225,541.43	265,629.26
GROSS RAILROAD OPERATING REVENUE	\$3,630,061.10	\$3,743,713.44
OPERATING EXPENSES (Excluding Taxes)	1,308,104.76	1,455,026.20
NET RAILROAD OPERATING REVENUE	\$2,321,956.34	\$2,288,687.24
Passenger Traffic:		
Number of Passengers Carried	58,079,194	59,434,152
Number of Passengers Carried per Mile of Road	7,342,502	7,513,799
Number of Passengers per Revenue Car Mile	7.31	7.44
Revenues and Operating Expenses:		
Passenger Revenue per Mile of Road	\$430,407.04	\$439,707.23
Gross Railroad Operating Revenue per Mile of Road	458,920.49	473,288.68
Operating Expenses (Excluding Taxes) per Mile of Road	165,373.54	183,947.69
Net Railroad Operating Revenue per Mile of Road	293,546.95	289,340.99
Passenger Revenue per Revenue Car Mile	\$0.4282	\$0.4352
Gross Railroad Operating Revenue per Revenue Car Mile	0.4566	0.4684
Operating Expenses (Excluding Taxes) per Revenue Car Mile	0.1645	0.1820
Net Railroad Operating Revenue per Revenue Car Mile	0.2921	0.2864
Passenger Revenue per Passenger	\$0.0586	\$0.0585
Gross Railroad Operating Revenue per Passenger	0.0625	0.0630
Operating Expenses (Excluding Taxes) per Passenger	0.0225	0.0245
Net Railroad Operating Revenue per Passenger	0.0400	0.0385

EXHIBIT No. 10
MILEAGE OPERATED DURING 1913

MILES OF TRACK

IN NEW YORK:

Main Lines	6.318	
Sidings and Crossovers	<u>.771</u>	
Total Track in New York		7.089

IN NEW JERSEY:

Main Lines	9.425	
Sidings and Crossovers . . . . .	.335	
Car Yard and approach	<u>1.908</u>	
Total Track in New Jersey		11.668
Total Mileage all Tracks		<u>18.757</u>

MILES OF ROAD:

In New York	3.16	
In New Jersey	<u>4.75</u>	
Total Miles of Road		<u>7.91</u>

EXHIBIT No. 11

DESCRIPTION OF CAR EQUIPMENT

Steel Passenger Cars with Motors	226
Steel Derrick Car with Motor	1
Flat Cars	4

DIMENSIONS OF PASSENGER CARS

Length over all	48 feet	0 inches
Width over all	8 "	11 $\frac{3}{8}$ "
Height over all	12 "	0 "
Seating Capacity	44 persons	

EXHIBIT No. 12

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT

	CAPACITY
4 Turbo Units A. C.	18,000 K. W.
9 Water Tube Boilers	8,100 H. P.
9 Superheaters	
9 Economizers	
11 Rotary Converters	16,500 K. W.
33 Transformers	18,150 K. W.
Transmission Cables	11,000 Volt A. C.
Distribution Cables	625 Volt D. C.

EXHIBIT No. 13

**HUDSON TERMINAL BUILDINGS REVENUES, EXPENSES AND TAXES FOR
THE YEARS ENDED DECEMBER 31st 1912 AND 1913**

1912			1913	
		OPERATING REVENUES :		
	\$1,634,745.67	GROSS RENTALS		\$1,673,765.24
	34,301.36	MISCELLANEOUS REVENUES		39,388.99
	\$1,669,047.03			\$1,713,154.23
	16,033.86	Less Assumed Leases in other Buildings .		15,139.32
	\$1,653,013.17	NET TOTAL OPERATING REVENUES		\$1,698,014.91
		OPERATING EXPENSES :		
\$ 82,862.90		Maintenance of Structures and Plant . .	\$115,847.00	
300,996.83		Expenses of Operation	306,049.76	
88,580.75		General Expenses	87,361.28	
472,440.48			\$509,258.04	
10,000.50		Depreciation of Buildings and Plant . . .	33,792.00	
	482,440.98	TOTAL OPERATING EXPENSES		543,050.04
	\$1,170,572.19	NET OPERATING REVENUE		\$1,154,964.87
	224,202.55	TAXES		234,210.29
	\$946,369.64	NET INCOME FROM HUDSON TERMINAL BUILDINGS		\$ 920,754.58
29.18%	Ratio of Operating Expenses to Net Total Operating Revenues.			31.98%

EXHIBIT No. 14

BALANCE SHEET

A S S E T S

Property Accounts	\$119,013,500.22
Materials and Supplies and disused Construction Plant . .	\$396,618.23
Less Reserve for depreciated values	157,534.72
	<hr/>
	239,083.51
Investment	1,000.00
Cash Deposited with Trustees of N. Y. and J. Mortgage	114,099.14
Current Cash on Hand and in Bank	334,058.23
Accounts Receivable	178,492.75
Deposits with Public Departments	12,932.66
Prepaid Insurance	17,863.63
Prepaid Taxes	5,097.65
Other Prepayments	2,784.18
Accounts in Suspense	12,616.06
Deferred Charges—Unamortized bond discount and expense	2,137,199.86
Profit and Loss—Deficit	96,041.32
	<hr/>
TOTAL ASSETS	\$122,164,769.21

EXHIBIT No. 14

AS OF DECEMBER 31st 1912

LIABILITIES

Common Capital Stock and Scrip	\$39,994,890.00
Preferred Capital Stock and Scrip	5,242,151.25
Stocks and Scrip to redeem securities of predecessor companies	12,908.75
New York and Jersey Railroad Co. First Mortgage 5% bonds	5,000,000.00
Hudson & Manhattan Railroad Co. First Mortgage 4½% bonds	\$60,000,000.00
H. & M. R. R. Co. First Mortgage bonds bearing no interest until Feb. 1st 1914, and thereafter at 4½% per annum until maturity, with an additional 2% per annum until Feb. 1st 1920 if and to the extent earned	7,500,000.00
	<u>67,500,000.00</u>
Less Treasury bonds deposited as collateral	352,000.00
	<u>67,148,000.00</u>
Real Estate Mortgages Payable	652,000.00
Deferred Installments on Car Purchase Agreements	1,376,000.00
Loan Payable (collateral, 352 bonds as above)	250,000.00
Current Accounts Payable	151,068.94
Accrued Bond Interest Payable February 1st 1913	1,226,492.37
Other Accrued Interest	30,025.00
Accrued Taxes	517,170.22
Rentals received in advance	17,513.66
Amortization Reserve	512,794.14
Other Reserves	33,754.88
TOTAL LIABILITIES	<u>\$122,164,769.21</u>

SIXTH
ANNUAL REPORT
OF
HUDSON AND MANHATTAN
RAILROAD COMPANY

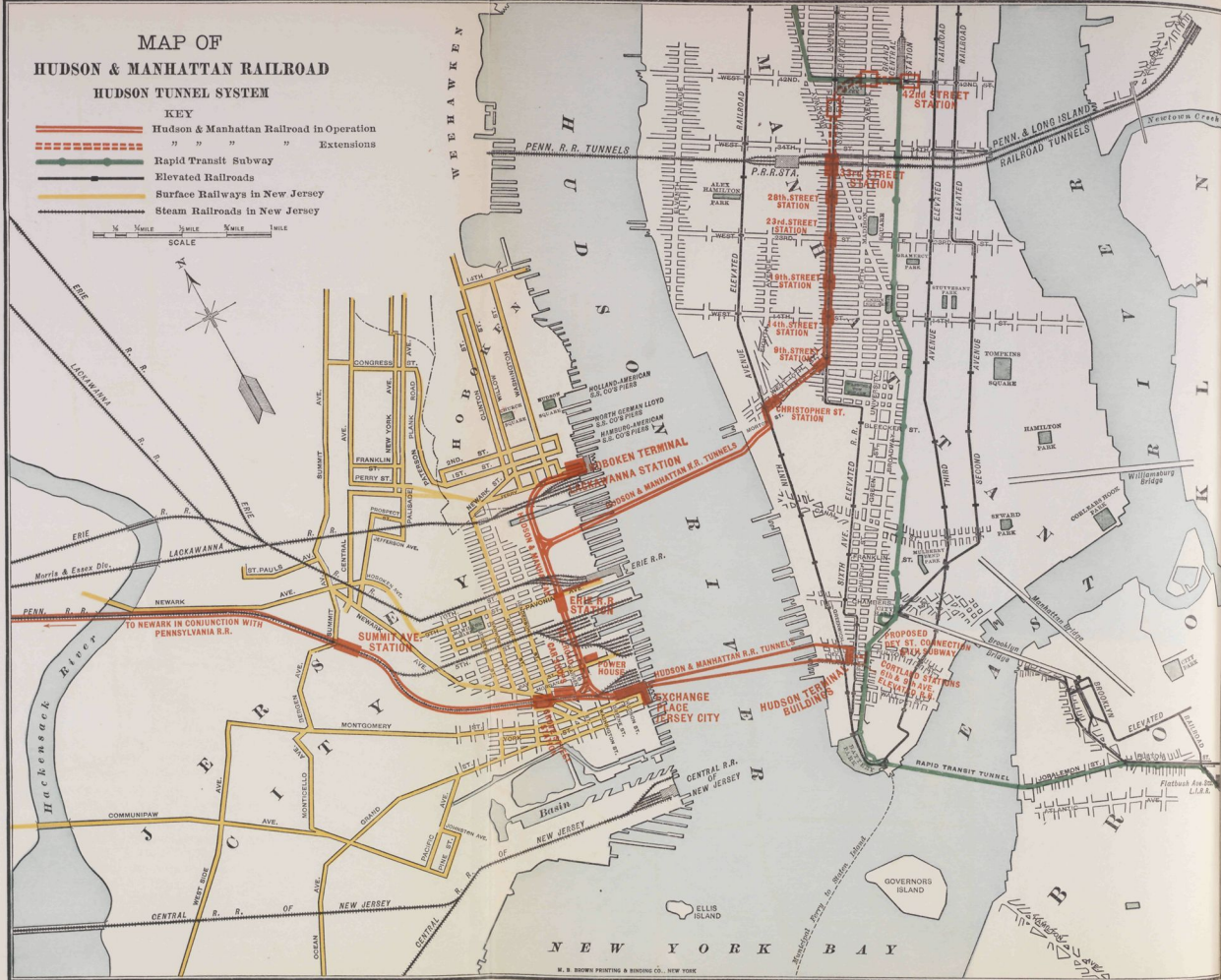
YEAR ENDED DECEMBER 31st 1914

MAP OF HUDSON & MANHATTAN RAILROAD HUDSON TUNNEL SYSTEM

KEY

- Hudson & Manhattan Railroad in Operation
- - - " " " " Extensions
- Rapid Transit Subway
- Elevated Railroads
- Surface Railroads in New Jersey
- Steam Railroads in New Jersey

SCALE
1/4 MILE 1/2 MILE 3/4 MILE 1 MILE





HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON AND MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

LEWIS L. CLARKE	-	-	New York City	FREDERIC B. JENNINGS	-	-	New York City
GEORGE W. DAVISON	-	-	New York City	RICHARD W. MEIRS	-	-	Philadelphia, Pa.
WILBUR C. FISK	-	-	New York City	WALTER G. OAKMAN	-	-	New York City
JEROME J. HANAUER	-	-	New York City	JOHN W. PLATTEN	-	-	New York City
ALEXANDER J. HEMPHILL	-	-	New York City	ALBERT H. WIGGIN	-	-	New York City
			WILLIAM H. WILLIAMS	-	-	-	Plainfield, N. J.

GENERAL OFFICERS

WILBUR C. FISK	-	-	-	President	RICHARD W. MEIRS	-	-	Vice-President
FLETCHER H. SILICK	-	-	-	Comptroller	JAMES S. O'NEALE	-	-	Secretary and Treasurer
J. VIPOND DAVIES	-	-	-	Chief Engineer	KENYON B. CONGER	-	-	Real Estate Agent

GENERAL COUNSEL

STETSON, JENNINGS & RUSSELL

15 Broad Street, New York

TRANSFER AGENTS

HARVEY FISK & SONS, 62 Cedar Street, New York

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK

HUDSON AND MANHATTAN RAILROAD COMPANY

New York, April 3rd 1915.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY :

The President and Board of Directors submit the within report of the operations of the company for the fiscal year ended December 31st 1914.

For the purpose of comparison, in the following Condensed Comparative Statement of Income and in the detailed Income Account (Exhibit 2), the interest deductions for the month of January 1913 are included as if the First Lien and Refunding Mortgage and the Adjustment Income Mortgage (both dated February 1st 1913), had been effective during that month.

Condensed Comparative Statement of Income

	12 Months Ended December 31st 1914	12 Months Ended December 31st 1913
Gross revenue from railroad.....	\$3,750,950.43	\$3,743,713.44
Railroad operating expenses (including depreciation) and taxes.....	1,698,544.74	1,716,332.81
Railroad Income	2,052,405.69	2,027,380.63
Gross revenue Hudson Terminal Buildings and other non-railroad sources	1,805,426.11	1,769,049.15
Operating expenses (including depreciation) and taxes.....	779,527.77	799,304.89
Non-railroad Income	1,025,898.34	969,744.26
Gross income applicable to fixed charges.....	3,078,304.03	2,997,124.89
Income deductions other than bond interest.....	236,790.05	261,435.18
Net income applicable to bond interest.....	2,841,513.98	2,735,689.71
Deduct interest on N. Y. & J. 5's, First Mortgage 4½'s, and First Lien and Refunding 5's	2,121,007.07	2,020,264.18
Balance of net income for the period available for interest on Adjustment Income Bonds (See Exhibit 3).....	\$720,506.91	\$715,425.53

The balance sheet, income account, and various other statements of accounts and statistics, showing the financial condition of the company are hereinafter submitted.

The accounts of the company have been audited by Messrs. Patterson, Teele and Dennis, Accountants and Auditors, and their certificate is included herein.

Physical Condition

The structures, track, signaling devices, electrical equipment and rolling stock have been maintained at a high standard of efficiency. Much study has been given to the details of maintenance for the purpose of reducing cost and promoting economy in operation, but in no case has a false economy been practised through the deferring of necessary repairs.

Material improvement has been effected in track alignment, and extensive sections of concrete track construction have been substituted for the ordinary form of crushed stone ballasted track, thus greatly improving the conditions of maintenance. Special attention has been given to care of electric cables. An investigation of their condition and the methods of maintenance was made by a board of consulting engineers aided by the operating officers. This investigation was supplemented by one made by a committee of your board of directors, and as a result of these, it is believed that this equipment has been maintained, and now is, in the best possible condition, and that nothing of known value has been left undone. That the rolling stock has been kept in first-class condition is evidenced by the fact that delays in operation due to car equipment failure have been practically negligible.

Traffic

During the first seven months of the year 1914, the company's passenger traffic showed a consistent and satisfactory normal increase of 2.6% over the same period of 1913, but owing to the depressed business conditions incident to the European War, the last five months of 1914 showed a decrease of 1.8% as compared with the same period of 1913, but by the exercise of great care in expenditures the net income of the company was not adversely affected. The principal loss in traffic was in that which under normal conditions flows to and from Hoboken, where since August 1st, there has been a condition of almost complete stagnation because of the internment of the North-German Lloyd and the Hamburg-American steamships.

At midnight on February 25th 1915 seven full years of train operation were completed, during which time 329,357,277 passengers were carried without the loss of a single life. During the year 1914 there were no injuries to passengers, except a few of minor nature.

Additional First Lien Bonds Issued

During the year 1914, \$356,500 face value of First Lien and Refunding Mortgage 5% Bonds were authorized by the Public Service Commission for the First District of the State of New York and the State Board of Public Utility Commissioners of New Jersey, for the purpose of reimbursing the company's treasury for additional capital expenditures made and approved by and Commissions. Of such amount, \$202,500 face value of bonds have been sold, and the proceeds applied to such reimbursement. The balance of \$154,000 of bonds is retained in the company's treasury.

Capital Expenditures Not Yet Reimbursed

In addition to the capital expenditures referred to in the foregoing, a further amount of \$359,711.84 has been expended in the redemption of car purchase certificates, in the reduction of real estate mortgages payable, and in improvements and betterments. This amount has also been approved by the engineers and accountants of the Public Service Commission, but at the present writing application has not been made to the Commissions for the authorization of further bonds for the purpose of reimbursing the company's treasury. Therefore, in making comparison of the conditions of working assets as hereinafter stated with the similar figures as at December 31st 1913, and with working liabilities, it should be borne in mind that your company's treasury is entitled to reimbursement for said expenditures in addition to the proceeds to be obtained from the sale of \$154,000 face value of First Lien Bonds now in the treasury.

Hudson Terminal Buildings

Most careful attention has been given to the maintenance and operation of these buildings, and it is a pleasure to report an increase in the net income from this important part of your property, amounting to \$36,325.20. The buildings continue to retain their popularity, which has not been decreased by the keen competition due to the erection of other large buildings in the downtown district. As of December 31st 1914, the buildings were 99.8 per cent. full.

It is again a pleasure to make acknowledgment of the faithful and efficient services rendered by all of the officers and employees of the company.

Respectfully submitted,

WILBUR C. FISK,
President.

ARTHUR W. TEELE, C. P. A.
JOHN WHITMORE,
HAMILTON S. CORWIN, C. P. A.,
HAROLD F. LEEMING, C. P. A. (OHIO)
F. R. C. STEELE, C. P. A. (MASS)
BOSTON

PATTERSON, TEELE & DENNIS
ACCOUNTANTS AND AUDITORS
NEW YORK AND BOSTON

CABLE ADDRESS,
"DIGNUS"

30 Broad Street, New York, April 3rd 1915.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

We have audited the books and accounts of Hudson and Manhattan Railroad Company, and certify that the within balance sheet, income account and profit and loss statement are in accordance with the books, and truly set forth the financial condition of the company at December 31st 1914, and the result of operations for the year ended that date.

PATTERSON, TEELE & DENNIS,
Accountants and Auditors.

HUDSON AND MANHATTAN RAILROAD COMPANY
ACCOUNTING DEPARTMENT

New York, April 3rd 1915.

WILBUR C. FISK, Esq.,
President.

Dear Sir:

Submitted herewith will be found financial statements and operating statistics as enumerated below:

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1 Condensed Comparative Balance sheet as of December 31st 1914-1913 -	10
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Very truly yours,

J. GERRY DOBBINS,
Auditor.

Approved:
FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1

CONDENSED COMPARATIVE BALANCE SHEET

ASSETS		
December 31, 1913		December 31, 1914
\$120,243,786.25	Property accounts	\$120,452,089.01
650,572.28	Less reserve for amortization.....	826,344.60
119,593,213.97		119,625,744.41
1,000.00	Investment (Tunnel Advertising Co. stock).....	1,000.00
114,099.14	Proceeds of sales of property released from the lien of New York and Jersey Railroad Company mortgage, deposited with trustee of the mortgage.....	114,099.14
185,672.98	Amortization funds, deposited or invested.....	402,133.06
3,656,636.52	Bond discount and expense in process of amortization.....	3,656,448.76
	* Working assets :	
1,072,194.32	Current cash account	1,117,484.62
.....	Cash deposited to pay matured coupons (per contra).....	27,537.35
233,264.13	Current accounts receivable.....	190,582.14
250,000.00	New York City Revenue 5% bonds.....	.....
9,060.66	Deposits with public departments.....	9,060.66
26,946.94	Prepaid insurance, taxes, etc.	33,242.19
201,789.62	Materials and supplies—less reserves.....	176,840.97
1,475.76	Accounts in suspense.....	1,866.58
1,794,731.43	Total working assets.....	1,556,614.51
\$125,345,354.04		\$125,356,039.88

*The Company's treasury is entitled to reimbursements for further capital expenditures to the amount of \$359,711.84 and by the proceeds to be obtained from the sale of \$154,000 First Lien bonds now retained in the treasury.

EXHIBIT No. 1

AS OF DECEMBER 31st 1914 AND DECEMBER 31st 1913

LIABILITIES AND CAPITAL

December 31, 1913		December 31, 1914
\$39,994,890.00	Common capital stock and scrip.....	\$39,994,890.00
5,242,151.25	Preferred capital stock and scrip.....	5,242,151.25
12,908.75	Stocks held in reserve to redeem outstanding securities of predecessor companies	12,908.75
5,000,000.00	New York and Jersey Railroad Company 5% mortgage bonds.	5,000,000.00
944,000.00	*First Mortgage 4½% bonds.....	944,000.00
36,562,633.66	†First Lien and refunding mortgage 5% bonds.....	36,765,133.66
33,102,000.00	Adjustment income mortgage bonds.....	33,102,000.00
1,165,500.00	Real Estate mortgages.....	1,125,500.00
1,192,000.00	Car purchase obligations payable in installments to 1921....	1,008,000.00
609,265.48	Readjustment reserve	608,216.61
Working liabilities:		
182,646.56	Current accounts payable	147,594.09
.....	Matured interest (per contra).....	27,537.35
915,154.03	Accrued interest	916,860.26
13,119.03	Accrued taxes .....	.....
17,845.91	Rentals received in advance.....	3,232.34
47,534.00	Temporary operating reserves	55,843.29
343,705.37	Undistributed interest earned on adjustment income bonds...	402,172.28
1,520,004.90	Total working liabilities	1,553,239.61
\$125,345,354.04		\$125,356,039.88

*The balance of the issue of old 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

†In addition to the \$36,765,133.66 First Lien and Refunding 5% bonds outstanding in the hands of the public, there are retained in the Company's treasury \$154,000 par value of said bonds for the purpose of reimbursement of the company's treasury for capital expenditures already made and approved by the Public Service Commission.

EXHIBIT No. 2

1913

1914

\$3,478,084.18

\$3,490,880.76

\$162,732.15
65,334.27
7,632.27
2,196.45
27,734.12

265,629,26

GROSS REVENUE—PASSENGER FARES

MISCELLANEOUS REVENUE FROM RAILROAD OPERATIONS :

Advertising	\$150,689.48
Other Car and Station Privileges.....	66,803.89
Sale of Power.....	3,618.79
Miscellaneous Transportation Revenue ...	10,949.45
Other Miscellaneous Revenue.....	28,008.06

TOTAL MISCELLANEOUS RAILROAD REVENUE

260,069.67

\$3,743,713.44

\$3,750,950.43

\$224,750.48
56,599.62
149,087.94
57,999.26
1,972.35
797,139.34
167,477.21

OPERATING EXPENSES OF RAILROAD:

Maintenance of Way and Structures	{ Actual	\$216,849.04
	{ Reserve	61,745.04
Maintenance of Equipment	{ Actual	159,797.55
	{ Reserve	63,271.92
Traffic Expenses		1,625.05
Transportation Expenses		786,358.35
General Expenses		157,692.73

TOTAL OPERATING EXPENSES OF RAILROAD

1,447,339.68

\$2,288,687.24

\$2,303,610.75

261.306.61

251.205.06

\$2,027,380.63

\$2,052,405.69

\$920,754.58
16,235.53

NET INCOME FROM RAILROAD OPERATION

NET INCOME FROM HUDSON TERMINAL BUILDINGS (See Exhibit 13)

NET INCOME FROM OTHER REAL ESTATE PROPERTIES

TOTAL NET INCOME FROM OUTSIDE OPERATIONS

TOTAL NET INCOME FROM ALL OPERATING SOURCES

NON-OPERATING INCOME

GROSS INCOME

INCOME DEDUCTIONS OTHER THAN BOND INTEREST:

Interest on Car Purchase Agreements.....	\$54,266.67
Interest on Real Estate Mortgages.....	52,199.64
Interest on Loans Payable.....	.....
Rental Tracks, Yards and Terminals.....	73,187.29
Amortization of Debt Discount and Expense	37,530.84
Miscellaneous Deductions	19,605.61

261,435.18

236,790.05

\$2,735,689.71

\$2,841,513.98

NET INCOME APPLICABLE TO BOND INTEREST

Deduct Bond Interest on N. Y. & J. 5's,
First Mortgage 4½'s and First Lien Re-
funding 5's

2,121,007.07

*2.020.264.18

\$720,506.91

\$715,425.53

BALANCE OF NET INCOME, FOR THE PERIOD, AVAILABLE
FOR INTEREST ON ADJUSTMENT INCOME BONDS
(See Exhibit 3)

\$720,506.91

*For the purpose of comparison, the interest deductions for the month of January 1913 are included as if the First Lien and Refunding Mortgage and the Adjustment Income Mortgage (both dated February 1st 1913), had been effective during that month.

EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED DECEMBER 31st 1914

Balance available for distribution as interest on Adjustment Income Bonds, January 1st 1914		\$343,705.37
Earnings for twelve months ended December 31st 1914, applicable as interest on Adjustment Income Bonds (See Exhibit No. 2).....		<u>720,506.91</u>
		\$1,064,212.28
Less installments of interest on Adjustment Income Bonds:		
Earned during six months ended December 31st 1913, declared February 20th 1914 and paid April 1st 1914, at the rate of \$10 per \$1,000 bond.....	\$331,020.00	
Earned during six months ended June 30th 1914, declared September 1st 1914 and paid October 1st 1914, at the rate of \$10 per \$1,000 bond.....	<u>331,020.00</u>	<u>\$662,040.00</u>
Balance available for distribution as interest on Adjustment Income Bonds (See Exhibit No. 1).....		<u><u>\$402,172.28</u></u>

Note.—Coupon No. 4 representing the interest on Adjustment Income Bonds for the six months ended December 31st 1914, was declared on March 1st 1915 and paid April 1st 1915, at the rate of \$10 per \$1,000 bond (2% per annum) amounting to \$331,020, leaving a balance of \$71,152.28 carried forward to the next interest period.

EXHIBIT No. 4

BONDS OUTSTANDING, DECEMBER 31st 1914

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage . . .	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb.1, Aug.1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage . . .	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb.1, Aug.1	65,000,000.00	36,765,133.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	*	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb.1, Aug.1	† 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$75,811,133.66	

*As may be earned and declared up to 5%. Rate earned and declared for year ended December 31st 1914, 2% per annum.

†The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

EXHIBIT No. 5

EQUIPMENT OBLIGATIONS OUTSTANDING DECEMBER 31st 1914

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALL- MENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N. Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$828,220	\$414,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sept. 1	March 1, 1919
Guaranty Trust Co. of N. Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	362,500	300,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N. Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	216,000	294,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$2,414,720	\$1,406,720	\$1,008,000					

EXHIBIT No. 6

RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1914 AND 1913

OPERATING REVENUES		1914	1913
Revenue from Transportation:			
Passenger Revenue		\$3,490,880.76	\$3,478,084.18
Miscellaneous Transportation Revenue		10,949.45	2,196.45
TOTAL REVENUE FROM TRANSPORTATION		\$3,501,830.21	\$3,480,280.63
Other Railroad Operating Revenues:			
Advertising Privileges		\$150,689.48	\$162,732.15
Other Car and Station Privileges		66,803.89	65,334.27
Sale of Power		3,618.79	7,632.27
Miscellaneous		28,008.06	27,734.12
TOTAL REVENUE OTHER THAN TRANSPORTATION		\$249,120.22	\$263,432.81
TOTAL RAILROAD OPERATING REVENUES		\$3,750,950.43	\$3,743,713.44
OPERATING EXPENSES			
Maintenance of Way and Structures:			
Superintendence		\$6,962.17	\$11,326.28
Ballast		631.75	232.29
Ties		6,493.38	1,324.50
Rails		12,337.92	15,689.44
Rail Fastenings and Joints		5,383.65	3,360.00
Special Work		3,000.00	10,870.84
Roadway and Track Labor		35,655.38	33,731.94
Miscellaneous Roadway and Track Expenses		1,917.52	2,868.81
Care of Track		21,170.71	21,153.32
Tunnels			
Tunnel Structure		4,944.64	7,135.65
Concrete Lining and Cable Ducts		30.05	1.70
Ventilating System		343.17	825.22
Drainage System		22,364.47	24,263.96
Lighting System		6,068.37	4,396.08
Miscellaneous Expenses		1,013.99	1,448.28
Signal and Interlocking System		32,696.01	29,957.17
Telephone and Emergency Alarm System		3,247.10	2,663.93
Miscellaneous Maintenance of Way Expenses		4,030.32	3,902.64
Removal of Snow and Ice		1,397.06	92.55
Transmission System .....			.81
Distribution System			
Feeders		1,109.17	2,013.52
Track Bonding		290.38	1,404.27
Contact Rails		5,546.49	4,013.18
Miscellaneous Expenses		11.34	8.02
Miscellaneous Electric Line Expenses		553.88	.....
Buildings and Structures			
Main Power House Building		3,303.93	1,547.27
Sub-station No. 1 Building		181.83	325.00
Car Shop Building		1,364.79	800.28
Stations, Waiting Rooms		29,895.72	32,371.28
Miscellaneous Buildings		371.26	741.82
Joint Way and Structures—Debit		4,811.69	6,280.43
Joint Way and Structures—Credit		279.10	.....
Depreciation of Way and Structures		61,745.04	56,599.62
TOTAL		\$278,594.08	\$281,350.10
Maintenance of Equipment:			
Superintendence		\$6,872.33	\$7,660.72
Passenger Cars		90,438.00	76,425.41
Work Cars		328.42	145.18
Electric Equipment of Cars		9,703.23	8,618.57
Main Power House Equipment		41,764.54	54,411.73
Sub-station No. 1 Equipment		221.67	539.12
Sub-station No. 2 Equipment		192.83	502.63
Sub-station No. 3 Equipment		262.72	433.92
Car Shop Machinery and Tools		2,697.58	2,876.56
Car Shop Expenses		16,414.99	12,987.22
Miscellaneous Equipment Expenses		215.82	.....
Maintenance of Joint Equipment—Credit		9,314.58	15,118.18
Depreciation of Equipment		63,271.92	57,999.26
TOTAL		\$223,069.47	\$207,087.20

EXHIBIT No. 6—Continued
RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1914 AND 1913

OPERATING EXPENSES—Continued		1914	1913
Traffic Expenses:			
Superintendence and Solicitation		\$930.00	\$1,105.00
Advertising		695.05	867.35
TOTAL		\$1,625.05	\$1,972.35
Transportation Expenses:			
Superintendence		\$45,996.83	\$47,782.32
Wages Main Power House Employees		81,228.58	81,719.10
Fuel for Main Power House		123,222.17	135,625.01
Water for Main Power House		6,718.76	6,016.98
Lubricants for Main Power House		1,701.91	1,682.64
Miscellaneous Supplies and Expenses Main Power House		4,845.30	5,183.84
Wages Sub-station No. 1 Employees		5,741.32	5,590.41
Supplies and Expenses Sub-station No. 1		749.53	562.77
Wages Sub-station No. 2 Employees		4,599.62	4,257.45
Supplies and Expenses Sub-station No. 2		325.50	222.20
Wages Sub-station No. 3 Employees		5,684.13	5,258.28
Supplies and Expenses Sub-station No. 3		946.73	595.59
Power Purchased .....		.....	.....
Power Exchanged—Balance		1,372.00	6,288.01
Other Operations—Credit		70,518.89	69,701.40
Wages Passenger Motormen		108,568.95	106,261.85
Wages Passenger Conductors		76,314.25	74,302.25
Wages Passenger Trainmen		130,916.45	121,358.10
Wages Other Car Service Employees		30,923.64	32,324.32
Train Supplies and Expenses		17,894.73	22,031.16
Wages Station Employees		161,184.15	170,302.50
Station Supplies and Expenses		16,334.30	16,013.09
Wages Car House Employees		57,327.08	55,337.91
Car House Supplies and Expenses		2,584.35	2,543.17
Operating Signal and Interlocking System		42,340.64	42,551.39
Operating Telephone System		4,407.44	4,066.18
Other Transportation Expenses		195.28	288.31
Joint Operation of Trains—Debit		3,919.25	4,889.34
Joint Operation of Trains—Credit		76,421.65	73,687.41
TOTAL		\$786,358.35	\$797,139.34
General Expenses:			
Salaries and Expenses General Officers		\$41,711.34	\$38,980.78
Salaries and Expenses General Office Clerks		39,374.93	44,202.61
General Office Supplies and Expenses		1,213.30	2,974.81
General Law Expenses		15,673.86	16,961.40
Stationery and Printing		5,230.24	5,021.42
Store Expenses		14,679.43	13,498.55
Insurance		4,334.73	3,194.03
Injuries and Damages		14,081.60	17,970.06
Law Expenses in connection with Damages		1,483.57	2,339.91
Contributions to Employees' Benefit Fund		2,327.70	1,622.90
Miscellaneous General Expenses		19,266.29	20,710.74
Undistributed Adjustments—Balance		1,684.26	.....
TOTAL		\$157,692.73	\$167,477.21
TOTAL RAILROAD OPERATING EXPENSES		\$1,447,339.68	\$1,455,026.20
NET RAILROAD OPERATING REVENUE		\$2,303,610.75	\$2,288,687.24
TAXES ON RAILROAD OPERATING PROPERTIES		251,205.06	261,306.61
OPERATING INCOME		\$2,052,405.69	\$2,027,380.63
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES		38.58%	38.86%
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES		45.28%	45.84%

EXHIBIT No. 7.
RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st 1914
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1913.

MONTHS	Passengers Carried	OPERATING REVENUES						
		Passenger Revenue	Advertising	Other Car and Station Privileges	Sale of Power	Miscellaneous Revenue other than Transportation	Miscellaneous Transportation Revenue	Total Operating Revenue
January 1914....	5,324,690	\$311,941.65	\$12,907.92	\$5,847.01	\$483.82	\$2,592.52	\$886.40	\$334,659.32
February "	4,789,903	280,563.64	12,159.23	5,476.64	423.02	2,497.71	810.40	301,930.64
March "	5,383,456	315,383.93	12,498.50	6,150.94	378.01	2,164.43	881.60	337,457.41
April "	5,315,505	311,113.94	12,783.37	6,066.51	267.02	2,347.73	866.00	333,444.57
May "	5,183,743	301,387.60	12,826.11	6,172.48	267.63	2,380.10	870.90	323,904.82
June "	4,889,205	283,497.20	13,011.18	5,463.08	254.89	2,408.54	1,235.15	305,870.04
July "	4,653,546	267,008.23	12,913.40	5,161.98	243.55	1,696.22	896.80	287,920.18
August "	4,420,383	254,344.15	12,140.67	5,382.06	249.57	2,526.78	875.90	275,519.13
September "	4,569,295	265,664.28	12,252.37	4,903.34	240.98	2,322.63	877.90	286,261.50
October "	5,060,472	296,400.07	12,510.84	5,575.44	273.93	2,296.09	929.70	317,986.07
November "	4,902,550	286,930.22	12,372.58	5,128.12	255.97	2,473.95	867.40	308,028.24
December "	5,407,509	316,645.85	12,313.31	5,476.29	280.40	2,301.36	951.30	337,968.51
Totals year ended December 31st 1914	59,900,257	\$3,490,880.76	\$150,689.48	\$66,803.89	\$3,618.79	\$28,008.06	\$10,949.45	\$3,750,950.43
Totals year ended December 31st 1913	59,434,152	\$3,478,084.18	\$162,732.15	\$65,334.27	\$7,632.27	\$27,734.12	\$2,196.45	\$3,743,713.44
Increase	466,105	\$12,796.58		\$1,469.62		\$273.94	\$8,753.00	\$7,236.99
Per Cent. of Increase	0.8%	0.4%		2.2%		1%	398.6%	0.2%
Decrease			\$12,042.67		\$4,013.48			
Per Cent. of Decrease			7.4%		52.6%			

EXHIBIT No. 8
RAILROAD OPERATING EXPENSES, BY MONTHS FOR YEAR ENDED DECEMBER 31st 1914
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1913

MONTHS	OPERATING EXPENSES (Including Depreciation)						Net Operating Revenue	Ratio of Operating Expenses to Operating Revenue
	Maintenance of Way and Structures	Maintenance of Equipment	Traffic Expenses	Transportation Expenses	General Expenses	Total Operating Expenses		
January 1914 . . .	\$24,141.06	\$17,380.28	\$102.10	\$72,715.59	\$16,537.54	\$130,876.57	\$203,782.75	39.11%
February "	22,481.39	17,983.80	364.70	64,777.35	13,346.24	118,953.48	182,977.16	39.40%
March "	24,524.39	18,819.79	96.15	69,986.89	13,482.38	126,909.60	210,547.81	37.61%
April "	24,057.81	19,530.73	107.75	64,232.83	14,152.09	122,081.21	211,363.36	36.61%
May "	23,550.15	21,155.70	104.45	63,171.67	13,943.07	121,925.04	201,979.78	37.64%
June "	22,754.78	32,766.38	309.80	61,897.14	13,790.50	131,518.60	174,351.44	43.00%
July "	22,793.98	16,384.65	115.70	61,503.15	11,664.49	112,461.97	175,458.21	39.06%
August "	22,096.44	16,413.13	83.95	62,046.61	12,001.20	112,641.33	162,877.80	40.88%
September "	22,313.74	15,062.49	86.05	61,883.93	12,329.21	111,675.42	174,586.08	39.01%
October "	25,505.72	14,755.06	86.30	67,801.53	11,943.74	120,092.35	197,893.72	37.77%
November "	22,553.55	14,622.83	85.50	64,513.51	11,497.00	113,272.39	194,755.85	36.77%
December "	21,821.07	18,194.63	82.60	71,828.15	13,005.27	124,931.72	213,036.79	36.96%
Totals year ended December 31st 1914	\$278,594.08	\$223,069.47	\$1,625.05	\$786,358.35	\$157,692.73	\$1,447,339.68	\$2,303,610.75	38.58%
Totals year ended December 31st 1913	\$281,350.10	\$207,087.20	\$1,972.35	\$797,139.34	\$167,477.21	\$1,455,026.20	\$2,288,687.24	38.86%
Increase		\$15,982.27					\$14,923.51	
Per Cent. of Increase		7.7%					0.6%	
Decrease	\$2,756.02		\$347.30	\$10,780.99	\$9,784.48	\$7,686.52		.28%
Per Cent. of Decrease	1%		17.6%	1.3%	5.8%	0.5%		0.7%

EXHIBIT No. 9

TRAFFIC STATISTICS FOR YEARS ENDED DECEMBER 31st 1914 AND 1913

	1914	1913
MILES OF ROAD OPERATED.....	7.91	7.91
NUMBER OF REVENUE CAR MILES OPERATED.....	7,946,639	7,990,953
PASSENGER REVENUE.....	\$3,490,880.76	\$3,478,084.18
MISCELLANEOUS RAILROAD REVENUE.....	260,069.67	265,629.26
GROSS RAILROAD OPERATING REVENUE.....	\$3,750,950.43	\$3,743,713.44
OPERATING EXPENSES (Excluding Taxes).....	1,447,339.68	1,455,026.20
NET RAILROAD OPERATING REVENUE.....	\$2,303,610.75	\$2,288,687.24
Passenger Traffic:		
Number of Passengers Carried.....	59,900,257	59,434,152
Number of Passengers Carried per Mile of Road.....	7,572,725	7,513,799
Number of Passengers per Revenue Car Mile.....	7.54	7.44
Revenues and Operating Expenses:		
Passenger Revenue per Mile of Road.....	\$441,325.00	\$439,707.23
Gross Railroad Operating Revenue per Mile of Road.....	474,203.59	473,288.68
Operating Expenses (Excluding Taxes) per Mile of Road.....	182,975.94	183,947.69
Net Railroad Operating Revenue per Mile of Road.....	291,227.65	289,340.99
Passenger Revenue per Revenue Car Mile.....	\$0.4393	\$0.4352
Gross Railroad Operating Revenue per Revenue Car Mile.....	0.4720	0.4684
Operating Expenses (Excluding Taxes) per Revenue Car Mile.....	0.1821	0.1820
Net Railroad Operating Revenue per Revenue Car Mile.....	0.2899	0.2864
Passenger Revenue per Passenger.....	\$0.0583	\$0.0585
Gross Railroad Operating Revenue per Passenger.....	0.0626	0.0630
Operating Expenses (Excluding Taxes) per Passenger.....	0.0242	0.0245
Net Railroad Operating Revenue per Passenger.....	0.0384	0.0385

EXHIBIT No. 10
MILEAGE OPERATED DURING 1914

MILES OF TRACK

IN NEW YORK:

Main Lines	6.318	
Sidings and Crossovers	<u>.771</u>	
Total Track in New York.....		7.089

IN NEW JERSEY:

Main Lines	9.425	
Sidings and Crossovers .....	.335	
Car Yard and approach	<u>1.908</u>	
Total Track in New Jersey.....		11.668
Total Mileage all Tracks.....		<u><u>18.757</u></u>

MILES OF ROAD:

In New York	3.16	
In New Jersey	<u>4.75</u>	
Total Miles of Road.....		<u><u>7.91</u></u>

EXHIBIT No. 11

DESCRIPTION OF CAR EQUIPMENT

Steel Passenger Cars with Motors.....	226
Steel Derrick Car with Motor.....	1
Flat Cars	4

DIMENSIONS OF PASSENGER CARS

Length over all.....	48 feet	0 inches
Width over all.....	8 "	11 $\frac{3}{16}$ "
Height over all.....	12 "	0 "
Seating Capacity	44 persons	

EXHIBIT No. 12

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT

	CAPACITY
4 Turbo Units A. C.....	18,000 K. W.
9 Water Tube Boilers	}8,100 H. P.
9 Superheaters	
9 Economizers.....	
11 Rotary Converters	16,500 K. W.
33 Transformers	18,150 K. W.
Transmission Cables	11,000 Volt A. C.
Distribution Cables	625 Volt D. C.

EXHIBIT No. 13			
HUDSON TERMINAL BUILDINGS REVENUES, EXPENSES AND TAXES FOR THE YEARS ENDED DECEMBER 31st 1914 AND 1913			
1913			1914
		OPERATING REVENUES:	
	\$1,673,765.24	GROSS RENTALS.....	\$1,684,196.03
	39,388.99	MISCELLANEOUS REVENUES.....	39,475.70
	\$1,713,154.23		\$1,723,671.73
	15,139.32	Less Assumed Leases in other Buildings.	17,136.83
	\$1,698,014.91	NET TOTAL OPERATING REVENUES	\$1,706,534.90
		OPERATING EXPENSES:	
\$115,847.00		Maintenance of Structures and Plant....	\$100,440.80
306,049.76		Expenses of Operation.....	309,032.84
87,361.28		General Expenses	77,624.34
\$509,258.04			\$487,097.98
33,792.00		Depreciation of Buildings and Plant....	36,864.00
	543,050.04	TOTAL OPERATING EXPENSES	523,961.98
	\$1,154,964.87	NET OPERATING REVENUE	\$1,182,572.92
	234,210.29	TAXES	225,493.14
	\$920,754.58	NET INCOME FROM HUDSON TERMINAL BUILDINGS	\$957,079.78
31.98%	Ratio of Operating Expenses to Net Total Operating Revenues.		30.70%

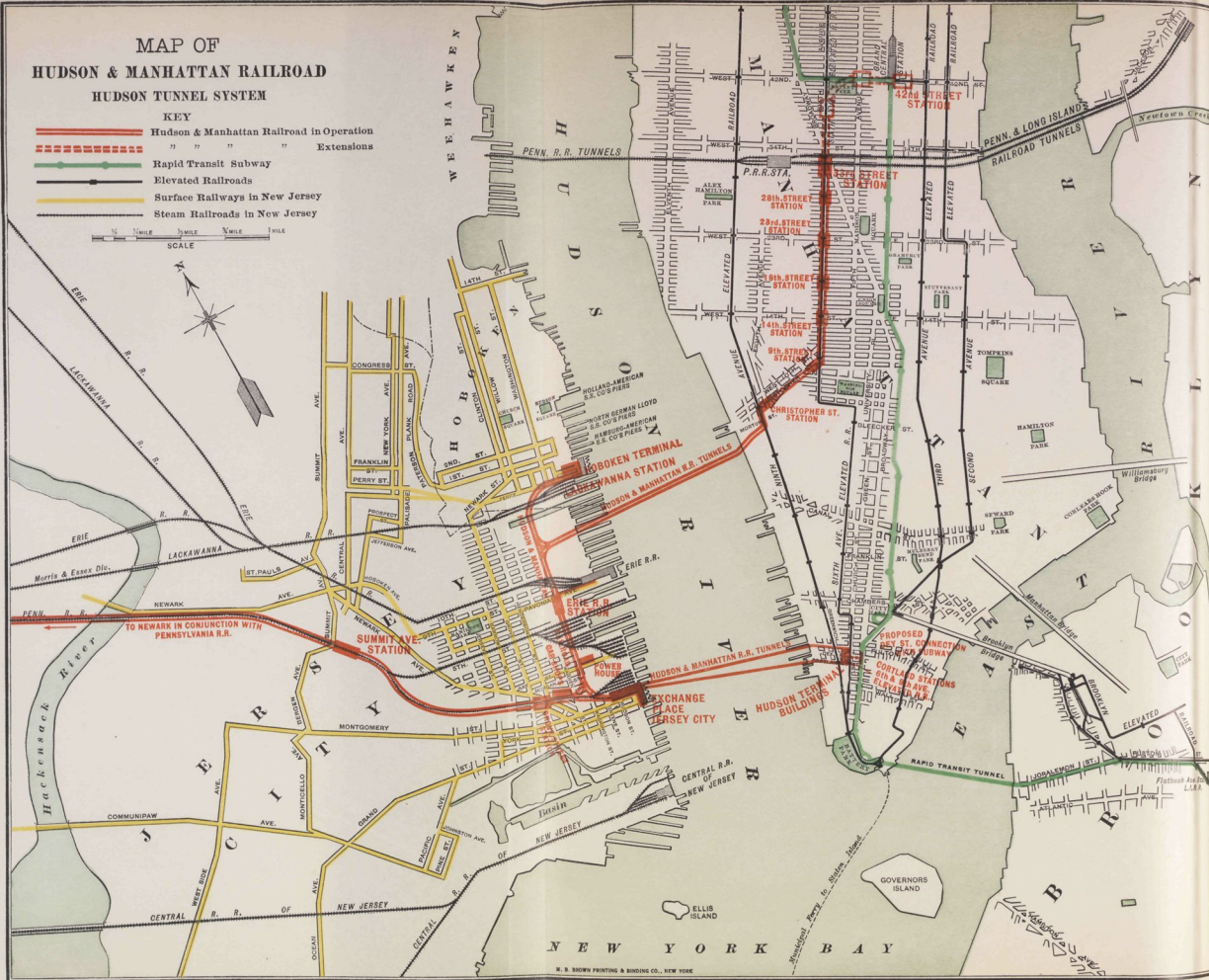
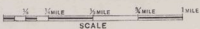
SEVENTH
ANNUAL REPORT
OF
HUDSON AND MANHATTAN
RAILROAD COMPANY

YEAR ENDED DECEMBER 31st 1915

MAP OF HUDSON & MANHATTAN RAILROAD HUDSON TUNNEL SYSTEM

KEY

- Hudson & Manhattan Railroad in Operation
- - - " " " " Extensions
- Rapid Transit Subway
- Elevated Railroads
- Surface Railways in New Jersey
- Steam Railroads in New Jersey





HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

W. B. D. 4.

HUDSON AND MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

LEWIS L. CLARKE	-	-	New York City	FREDERIC B. JENNINGS	-	-	New York City
GEORGE W. DAVISON	-	-	New York City	RICHARD W. MEIRS	-	-	Philadelphia, Pa.
WILBUR C. FISK	-	-	Newfoundland, N. J.	WALTER G. OAKMAN	-	-	New York City
JEROME J. HANAUER	-	-	White Plains, N. Y.	JOHN W. PLATTEN	-	-	New York City
ALEXANDER J. HEMPHILL	-	-	New York City	ALBERT H. WIGGIN	-	-	New York City
			WILLIAM H. WILLIAMS	-	-	-	Plainfield, N. J.

GENERAL OFFICERS

WILBUR C. FISK	-	-	-	President	RICHARD W. MEIRS	-	-	Vice-President
FLETCHER H. SILLICK	-	-	-	Comptroller	JAMES S. O'NEALE	-	-	Secretary and Treasurer
J. VIPOND DAVIES	-	-	-	Chief Engineer	KENYON B. CONGER	-	-	Real Estate Agent

GENERAL COUNSEL

STETSON, JENNINGS & RUSSELL
15 Broad Street, New York

TRANSFER AGENTS

HARVEY FISK & SONS, 62 Cedar Street, New York

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK

HUDSON AND MANHATTAN RAILROAD COMPANY

New York, April 1st 1916.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

The President and Board of Directors submit the following report of the operations of the company for the fiscal year ended December 31st 1915.

Condensed Comparative Statement of Income

	12 Months Ended December 31st 1915	12 Months Ended December 31st 1914
Gross revenue from railroad.....	\$3,725,989.15	\$3,750,950.43
Railroad operating expenses (including depreciation) and taxes.....	1,728,832.94	1,698,544.74
Railroad Income.....	1,997,156.21	2,052,405.69
Gross revenue Hudson Terminal Buildings and other non-railroad sources	1,798,376.75	1,805,426.11
Operating expenses (including depreciation) and taxes.....	772,637.51	779,527.77
Non-railroad Income.....	1,025,739.24	1,025,898.34
Gross income applicable to fixed charges.....	3,022,895.45	3,078,304.03
Income deductions other than bond interest.....	243,765.12	236,790.05
Net income applicable to bond interest.....	2,779,130.33	2,841,513.98
Deduct interest on N. Y. & J. S's, First Mortgage 4½'s, and First Lien and Refunding 5's.....	2,137,998.33	2,121,007.07
Balance of net income for the period available for interest on Adjustment Income Bonds (See Exhibit 3).....	\$641,132.00	\$720,506.91

The balance sheet, income account, and various other statements of accounts and statistics, showing the financial condition of the company are attached hereto.

The accounts of the company have been audited by Messrs. Patterson, Teele and Dennis, Accountants and Auditors, and their certificate is included herein.

Physical Condition

All structures, track, signaling devices, electrical equipment and rolling stock constantly have been maintained at the highest standards of efficiency. No necessary repairs or replacements have been deferred. In making replacements it has been the policy of the management to have the new apparatus of the most modern and efficient type obtainable, thus effecting an improvement over the apparatus replaced. This policy, applied to many relatively unimportant details, has had an appreciable effect in raising the standards.

Traffic

From January through September 1915, our passenger traffic showed decreases as compared with the same period of 1914, but it should be borne in mind that the outbreak of the European war occurred in August 1914, and that prior to that event, the company's traffic had shown a normal growth. Since the full effects of the war did not begin to operate against this company's business until September 1914, it was not until October 1st 1915 that significant comparisons of traffic could be made. Since October 1st 1915 our traffic has shown such satisfactory increases as almost to overcome the decreases of the prior months of 1915. It is a satisfaction to note also that beginning in October, the traffic over the uptown lines shows increases for the first time since the installation of the 7c. fare.

Additional First Lien Bonds Issued

During the year 1915, \$615,500 face value of First Lien and Refunding Mortgage 5% Bonds were issued by authority of the Public Service Commission for the First District of the State of New York, and the State Board of Public Utility Commissioners for the State of New Jersey, for the purpose of reimbursing the company's treasury for additional capital expenditures made and approved by the Commissions. Of said amount \$200,000 face value of bonds have been sold, and the proceeds applied to such reimbursements. The balance of \$415,500 of bonds is retained in the company's treasury.

Capital Expenditures Not Yet Reimbursed

In addition to the capital expenditures referred to in the foregoing the further sum of \$178,325.11 has been expended in the redemption of Car Purchase Certificates, and in improvements and betterments. This amount also has been approved by the engineers and accountants of the Public Service Commission, but application has not yet been made to the Commissions for the authorization of further bonds for the purpose of reimbursement. Therefore, in making comparison of the conditions of working assets and working liabilities, hereinafter stated, with like figures as at December 31st 1914, it should be borne in mind that your company's treasury is entitled to reimbursement of the aforesaid expenditures in addition to the proceeds to be obtained from the sale of \$415,500 face value of First Lien Bonds now in the treasury.

Hudson Terminal Buildings

The Hudson Terminal Buildings practically are fully rented. The readiness of our tenants to renew leases as they expire, is the surest indication of the high character and desirability of our offices, and the efficiency of the service provided.

Safety Medal

It is a source of much gratification to the management to announce that the American Museum of Safety has awarded the Travelers Insurance Company's gold medal for 1915 to the Hudson and Manhattan Railroad Company "for achievement in accident prevention among its personnel and for promoting safety for the traveling public." The medal was presented at the annual dinner of the American Museum of Safety held at the Waldorf-Astoria on the evening of February 3rd 1916. Enclosed herewith will be found a Special Bulletin published by the American Museum of Safety relative to the medal, and also enclosed will be found No. 4 of Volume 2 of the H & M Review for March 1916.

It is a pleasure again to bear testimony to the loyalty and zeal with which all of the officers and employees of the company have discharged the duties assigned to them.

Respectfully submitted by order of the Board of Directors.

WILBUR C. FISK,
President.

ARTHUR W. TEELE, C. P. A.
JOHN WHITMORE
HAMILTON S. CORWIN, C. P. A.
HAROLD F. LEEMING, C.P.A.(OHIO)
F. R. C. STEELE, C. P. A. (MASS.)
BOSTON

PATTERSON, TEELE & DENNIS
ACCOUNTANTS AND AUDITORS
NEW YORK AND BOSTON

CABLE ADDRESS,
"DIGNUS"

30 Broad Street, New York, March 15th 1916.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

We have audited the books and accounts of Hudson and Manhattan Railroad Company, and certify that the within balance sheet, income account and profit and loss statement are in accordance with the books, and truly set forth the financial condition of the company at December 31st 1915, and the result of operations for the year ended that date.

PATTERSON, TEELE & DENNIS,
Accountants and Auditors.

HUDSON AND MANHATTAN RAILROAD COMPANY
ACCOUNTING DEPARTMENT

New York, April 1st 1916.

WILBUR C. FISK, Esq.,
 President.

Dear Sir:

Submitted herewith will be found financial statements and operating statistics as enumerated below:

EXHIBIT	PAGE
1 Condensed Comparative Balance sheet as of December 31st 1915-1914 -	10
2 Income account for years ended December 31st 1915-1914 - - -	12
3 Profit and loss account - - - - -	13
4 Bonds outstanding - - - - -	14
5 Equipment obligations outstanding - - - - -	15
6 Detail of railroad revenues, expenses and taxes for years 1915-1914 -	16
7 Railroad operating revenues, by months, for years 1915-1914 - -	18
8 Railroad operating expenses, by months, for years 1915-1914 - -	19
9 Traffic statistics - - - - -	20
10 Mileage operated during 1915 - - - - -	21
11 Description of car equipment - - - - -	22
12 Description of power plant equipment - - - - -	22
13 Hudson Terminal Buildings income account for years 1915-1914 - -	23

Very truly yours,

J. GERRY DOBBINS,

Auditor.

Approved:

FLETCHER H. SILLICK,
 Comptroller.

EXHIBIT No. 1

CONDENSED COMPARATIVE BALANCE SHEET

A S S E T S		
December 31, 1914		December 31, 1915
\$120,452,089.01	Property accounts	\$120,593,702.28
826,344.60	Less reserve for amortization.....	1,011,461.35
119,625,744.41		119,582,240.93
1,000.00	Investments.....	8,000.00
114,099.14	Proceeds of sales of property released from the lien of New York and Jersey Railroad Company mortgage, deposited with trustee of the mortgage.....	114,099.14
402,133.06	Amortization funds, deposited or invested.....	631,448.95
3,656,448.76	Bond discount and expense in process of amortization.....	3,687,958.81
	* Working assets:	
1,117,484.62	Current cash account.....	1,043,306.96
27,537.35	Cash deposited to pay matured coupons (per contra).....	25,685.02
190,582.14	Current accounts receivable.....	177,941.89
9,060.66	Deposits with public departments.....	9,060.66
33,242.19	Prepaid insurance, taxes, etc.....	26,600.87
176,840.97	Materials and supplies—less reserves.....	222,024.88
1,866.58	Accounts in suspense.....	.....
1,556,614.51	Total working assets.....	1,504,620.28
\$125,356,039.88		\$125,528,368.11

*The Company's treasury is entitled to reimbursements for further capital expenditures to the amount of \$178,325.11 and by the proceeds to be obtained from the sale of \$415,500 First Lien bonds now retained in the treasury.

EXHIBIT No. 1

AS OF DECEMBER 31st 1915 AND DECEMBER 31st 1914

LIABILITIES AND CAPITAL

December 31, 1914		December 31, 1915
\$39,994,890.00	Common capital stock and scrip.....	\$39,994,890.00
5,242,151.25	Preferred capital stock and scrip.....	5,242,151.25
12,908.75	Stocks held in reserve to redeem outstanding securities of predecessor companies	12,908.75
5,000,000.00	New York and Jersey Railroad Company 5% mortgage bonds.	5,000,000.00
944,000.00	*First Mortgage 4½% bonds.....	944,000.00
36,765,133.66	†First Lien and refunding mortgage 5% bonds.....	37,119,133.66
33,102,000.00	Adjustment income mortgage bonds.....	33,102,000.00
1,125,500.00	Real Estate mortgages.....	1,115,500.00
1,008,000.00	Car purchase obligations payable in installments to 1921....	824,000.00
608,216.61	Readjustment reserve	608,216.61
Working liabilities:		
147,594.09	Current accounts payable.....	156,031.85
27,537.35	Matured interest (per contra).....	25,685.02
916,860.26	Accrued interest	921,130.41
3,232.34	Rentals received in advance.....	19,810.61
55,843.29	Temporary operating reserves.....	61,645.67
402,172.28	Undistributed interest earned on adjustment income bonds..	381,264.28
1,553,239.61	Total working liabilities.....	1,565,567.84
\$125,356,039.88		\$125,528,368.11

*The balance of the issue of old 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

†In addition to the \$37,119,133.66 First Lien and Refunding 5% bonds outstanding in the hands of the public, there are retained in the Company's treasury \$415,500 par value of said bonds for the purpose of reimbursement of the company's treasury for capital expenditures already made and approved by the Public Service Commission.

EXHIBIT No. 2
INCOME ACCOUNT FOR TWELVE MONTHS ENDED DECEMBER 31st 1915
COMPARED WITH TWELVE MONTHS ENDED DECEMBER 31st 1914

1914			1915
	\$3,490,880.76	GROSS REVENUE—PASSENGER FARES	\$3,477,695.46
		MISCELLANEOUS REVENUE FROM RAILROAD OPERATIONS:	
\$150,689.48		Advertising	\$121,149.94
66,803.89		Other Car and Station Privileges.....	69,026.74
3,618.79		Sale of Power.....	12,081.29
10,949.45		Miscellaneous Transportation Revenue....	15,443.89
28,008.06		Other Miscellaneous Revenue.....	30,591.83
	260,069.67	TOTAL MISCELLANEOUS RAILROAD REVENUE	248,293.69
	\$3,750,950.43	TOTAL RAILROAD REVENUE	\$3,725,989.15
		OPERATING EXPENSES OF RAILROAD:	
\$260,801.32		Maintenance of Way and Structures.....	\$269,424.23
159,256.79		Maintenance of Equipment.....	179,676.53
245,478.10		Power	243,508.65
622,485.69		Transportation Expenses.....	615,302.54
1,625.05		Traffic Expenses.....	1,110.12
157,692.73		General Expenses.....	147,573.58
	1,447,339.68	TOTAL OPERATING EXPENSES OF RAILROAD	1,456,595.65
	\$2,303,610.75	NET OPERATING REVENUE FROM RAILROAD	\$2,269,393.50
	251,205.06	TAXES ON RAILROAD OPERATING PROPERTIES	272,237.29
	\$2,052,405.69	NET INCOME FROM RAILROAD OPERATION	\$1,997,156.21
\$957,079.78		NET INCOME FROM HUDSON TERMINAL BUILDINGS (See Exhibit 13)	\$947,395.26
40,190.84		NET INCOME FROM OTHER REAL ESTATE PROPERTIES	35,232.43
	997,270.62	TOTAL NET INCOME FROM OUTSIDE OPERATIONS	982,627.69
	\$3,049,676.31	TOTAL NET INCOME FROM ALL OPERATING SOURCES	\$2,979,783.90
	28,627.72	NON-OPERATING INCOME	43,111.55
	\$3,078,304.03	GROSS INCOME	\$3,022,895.45
		INCOME DEDUCTIONS OTHER THAN BOND INTEREST:	
\$54,266.67		Interest on Car Purchase Agreements.....	\$45,066.67
52,199.64		Interest on Real Estate Mortgages.....	50,835.50
73,187.29		Rental Tracks, Yards and Terminals.....	71,822.50
37,530.84		Amortization of Debt Discount and Expense	39,020.36
19,605.61		Miscellaneous Deductions	37,020.09
	236,790.05	DEDUCTIONS PRIOR TO BOND INTEREST	243,765.12
	\$2,841,513.98	NET INCOME APPLICABLE TO BOND INTEREST	\$2,779,130.33
	2,121,007.07	Deduct Bond Interest on N. Y. & J. 5's, First Mortgage 4½'s and First Lien Re- funding 5's	2,137,998.33
	\$720,506.91	BALANCE OF NET INCOME, FOR THE PERIOD, AVAILABLE FOR INTEREST ON ADJUSTMENT INCOME BONDS	\$641,132.00
		(See Exhibit 3)	

EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED DECEMBER 31st 1915

Balance available for distribution as interest on Adjustment Income Bonds, January 1st 1915.....		\$402,172.28
Earnings for twelve months ended December 31st 1915, applicable as interest on Adjustment Income Bonds (See Exhibit No. 2).....		641,132.00
		<u>\$1,043,304.28</u>
Less installments of interest on Adjustment Income Bonds:		
Earned during six months ended December 31st 1914, declared March 1st 1915 and paid April 1st 1915, at the rate of \$10 per \$1,000 bond.....	\$331,020.00	
Earned during six months ended June 30th 1915, declared August 5th 1915 and paid October 1st 1915, at the rate of \$10 per \$1,000 bond.....	331,020.00	\$662,040.00
Balance available for distribution as interest on Adjustment Income Bonds (See Exhibit No. 1).....		<u>\$381,264.28</u>

Note.—Coupon No. 6 representing the interest on Adjustment Income Bonds for the six months ended December 31st 1915, was declared on March 1st 1916 and paid April 1st 1916, at the rate of \$10 per \$1,000 bond (2% per annum) amounting to \$331,020, leaving a balance of \$50,244.28 carried forward to the next interest period.

EXHIBIT No. 4

BONDS OUTSTANDING, DECEMBER 31st 1915

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb.1, Aug.1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb.1, Aug.1	65,000,000.00	37,119,133.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	*	Apr. 1, Oct.1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb.1, Aug.1	† 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,165,133.66	

*As may be earned and declared up to 5%. Rate earned and declared for year ended December 31st 1915, 2% per annum.

†The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

EXHIBIT No. 5
EQUIPMENT OBLIGATIONS OUTSTANDING DECEMBER 31st 1915

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALL- MENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N. Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$920,220	\$322,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sept. 1	March 1, 1919
Guaranty Trust Co. of N. Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	412,500	250,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N. Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	258,000	252,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$2,414,720	\$1,590,720	\$824,000					

EXHIBIT No. 6

RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1915 AND 1914

OPERATING REVENUES		1915	1914
Revenue from Transportation:			
Passenger Revenue		\$3,477,695.46	\$3,490,880.76
Miscellaneous Transportation Revenue.....		15,443.89	10,949.45
TOTAL REVENUE FROM TRANSPORTATION.....		\$3,493,139.35	\$3,501,830.21
Other Railroad Operating Revenues:			
Advertising Privileges		\$121,149.94	\$150,689.48
Other Car and Station Privileges.....		69,026.74	66,803.89
Sale of Power.....		12,081.29	3,618.79
Miscellaneous		30,591.83	28,008.06
TOTAL REVENUE OTHER THAN TRANSPORTATION.....		\$232,849.80	\$249,120.22
TOTAL RAILROAD OPERATING REVENUES.....		\$3,725,989.15	\$3,750,950.43
OPERATING EXPENSES			
Maintenance of Way and Structures:			
Superintendence		\$8,459.68	\$6,962.17
Ballast		1,381.65	631.75
Ties		5,931.04	6,493.38
Rails		12,257.87	12,337.92
Rail Fastenings and Joints.....		3,341.02	5,383.65
Special Work		1,000.00	3,000.00
Roadway and Track Labor.....		31,856.48	35,655.38
Miscellaneous Roadway and Track Expenses.....		1,986.79	1,917.52
Care of Track.....		22,165.30	21,170.71
Removal of Snow and Ice.....		720.09	1,397.06
Tunnels			
Tunnel Structure		4,168.45	4,944.64
Concrete Lining and Cable Ducts.....			30.05
Ventilating System		1,028.55	343.17
Drainage System		26,195.92	22,364.47
Lighting System		5,081.61	6,068.37
Miscellaneous Expenses		5,950.82	1,013.99
Signal and Interlocking System.....		33,209.44	32,696.01
Telephone and Emergency Alarm System.....		2,891.84	3,247.10
Miscellaneous Maintenance of Way Expenses.....		3,468.84	4,030.32
Distribution System			
Feeders		2,058.66	1,109.17
Track Bonding		2,212.06	290.38
Contact Rails		6,777.37	5,546.49
Miscellaneous Expenses		12.97	11.34
Miscellaneous Electric Line Expenses.....		4,159.16	553.88
Buildings and Structures.....			
Car Shop Building.....		904.83	1,364.79
Stations, Waiting Rooms.....		29,228.78	29,895.72
Miscellaneous Buildings		517.82	371.26
Joint Way and Structures—Debit.....		5,209.06	4,811.69
Joint Way and Structures—Credit.....		189.91	279.10
Depreciation of Way and Structures.....		47,438.04	47,438.04
TOTAL.....		\$269,424.23	\$260,801.32
Maintenance of Equipment:			
Superintendence		\$8,034.09	\$6,872.33
Passenger Cars		120,508.68	90,438.00
Work Cars		115.14	328.42
Electric Equipment of Cars.....		12,288.69	9,703.23
Car Shop Machinery and Tools.....		3,164.01	2,697.58
Car Shop Expenses.....		16,764.99	16,414.99
Miscellaneous Equipment Expenses.....			215.82
Maintenance of Joint Equipment—Credit.....		28,100.07	9,514.88
Depreciation of Equipment.....		41,901.00	41,901.00
TOTAL.....		\$179,676.53	\$159,256.79

EXHIBIT No. 6—Continued

**RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1915 AND 1914**

O P E R A T I N G E X P E N S E S — Continued	1915	1914
Power :		
Superintendence	\$11,344.96	\$13,498.04
Main Power House Building.....	2,803.49	3,303.93
Sub-Station No. 1 Building.....	820.11	181.83
Main Power House Equipment.....	32,928.52	41,764.54
Sub-Station No. 1 Equipment.....	148.69	221.67
Sub-Station No. 2 Equipment.....	264.77	192.83
Sub-Station No. 3 Equipment.....	223.62	262.72
Transmission System	11.23	.....
Depreciation of Power Plant Buildings and Equipment.....	35,677.92	35,677.92
Wages Main Power House Employees.....	64,675.32	67,730.54
Fuel for Main Power House.....	133,808.76	123,222.17
Water for Main Power House.....	9,049.99	6,718.76
Lubricants for Main Power House.....	1,588.11	1,701.91
Miscellaneous Supplies and Expenses M.P.H.....	4,852.06	4,845.30
Wages Sub-Station No. 1 Employees.....	5,932.09	5,741.32
Supplies and Expenses Sub-Station No. 1.....	488.27	749.53
Wages Sub-Station No. 2 Employees.....	5,068.15	4,599.62
Supplies and Expenses Sub-Station No. 2.....	314.99	325.50
Wages Sub-Station No. 3 Employees.....	5,789.11	5,684.13
Supplies and Expenses Sub-Station No. 3.....	310.40	946.73
Power Purchased .....	.....	.....
Power Exchanged—Balance	80.00	1,372.00
Other Operations—Credit	72,781.91	70,518.89
TOTAL.....	\$243,508.65	\$245,478.10
Transportation Expenses :		
Superintendence	\$48,373.19	\$45,996.83
Wages Passenger Motormen.....	106,511.80	108,568.95
Wages Passenger Conductors.....	75,033.80	76,314.25
Wages Passenger Trainmen.....	132,536.90	130,916.45
Wages other Car Service Employees.....	28,857.73	30,923.64
Train Supplies and Expenses.....	17,500.05	17,894.73
Wages Station Employees.....	157,986.65	161,184.15
Station Supplies and Expenses.....	14,913.52	16,334.30
Wages Car House Employees.....	55,493.48	57,327.08
Car House Supplies and Expenses.....	3,538.96	2,584.35
Operating Signal and Interlocking System.....	42,266.00	42,340.64
Operating Telephone System.....	4,278.08	4,407.44
Other Transportation Expenses.....	1,006.79	195.28
Joint Operation of Trains—Debit.....	4,039.13	3,919.25
Joint Operation of Trains—Credit.....	77,033.54	76,421.65
TOTAL	\$615,302.54	\$622,485.69
Traffic Expenses :		
Superintendence and Solicitation.....	\$960.00	\$930.00
Advertising	150.12	695.05
TOTAL	\$1,110.12	\$1,625.05
General Expenses :		
Salaries and Expenses General Officers.....	\$39,022.66	\$41,711.34
Salaries and Expenses General Office Clerks.....	40,336.94	39,374.93
General Office Supplies and Expenses.....	1,590.42	1,213.30
General Law Expenses.....	11,252.69	15,673.86
Stationery and Printing.....	5,439.90	5,230.24
Store Expenses	13,625.37	14,679.43
Insurance	3,189.03	4,334.73
Injuries and Damages.....	13,756.53	14,081.60
Law Expenses in connection with Damages.....	1,023.95	1,483.57
Contributions to Employees' Benefit Fund.....	2,490.00	2,327.70
Miscellaneous General Expenses.....	18,835.67	19,266.29
Undistributed Adjustments—balance	2,989.58	1,684.26
TOTAL	\$147,573.58	\$157,692.73
TOTAL RAILROAD OPERATING EXPENSES.....	\$1,456,595.65	\$1,447,339.68
NET RAILROAD OPERATING REVENUE.....	\$2,269,393.50	\$2,303,610.75
TAXES ON RAILROAD OPERATING PROPERTIES.....	272,237.29	251,205.06
OPERATING INCOME.....	\$1,997,156.21	\$2,052,405.69
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES.....	39.09%	38.58%
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES.....	46.40%	45.28%

EXHIBIT No. 7
RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st 1915
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1914

MONTHS	Passengers Carried	OPERATING REVENUES						
		Passenger Revenue	Advertising	Other Car and Station Privileges	Sale of Power	Miscellaneous Revenue other than Transportation	Miscellaneous Transportation Revenue	Total Operating Revenue
January 1915....	5,135,318	\$300,220.13	\$10,723.00	\$5,845.10	\$254.51	\$2,582.35	\$861.40	\$320,486.49
February "	4,711,069	275,483.94	10,400.57	5,581.42	226.00	2,487.45	752.70	294,932.08
March "	5,239,358	306,811.97	10,406.97	6,368.70	271.32	2,554.53	933.30	327,346.79
April "	5,050,374	294,419.57	10,244.84	6,004.24	229.64	2,652.81	823.60	314,374.70
May "	5,049,608	292,692.40	10,386.38	6,247.88	328.53	2,575.04	872.89	313,103.12
June "	4,766,932	275,538.57	10,563.46	5,472.69	215.48	2,570.00	795.90	295,156.10
July "	4,503,052	257,088.32	10,284.42	5,728.37	1,765.80	2,537.54	804.60	278,209.05
August "	4,457,089	255,506.65	10,417.10	5,091.57	1,730.90	2,536.35	3,776.10	279,058.67
September "	4,623,981	266,979.79	10,584.86	5,202.20	1,771.50	2,457.88	801.00	287,797.23
October "	5,287,351	306,965.86	9,396.84	6,029.66	1,768.07	2,513.77	3,327.80	330,002.00
November "	5,293,399	308,106.02	9,737.13	5,442.60	1,762.48	2,640.16	816.60	328,504.99
December "	5,797,661	337,882.24	8,004.37	6,012.31	1,757.06	2,483.95	878.00	357,017.93
Totals year ended December 31st 1915	59,915,192	\$3,477,695.46	\$121,149.94	\$69,026.74	\$12,081.29	\$30,591.83	\$15,443.89	\$3,725,989.15
Totals year ended December 31st 1914	59,900,257	\$3,490,880.76	\$150,689.48	\$66,803.89	\$3,618.79	\$28,008.06	\$10,949.45	\$3,750,950.43
Increase	14,935			\$2,222.85	\$8,462.50	\$2,583.77	\$4,494.44	
Per Cent. of Increase	0.02%			3.3%	233.8%	9.2%	41%	
Decrease		\$13,185.30	\$29,539.54					\$24,961.28
Per Cent. of Decrease		0.4%	19.6%					0.6%

EXHIBIT No. 8
RAILROAD OPERATING EXPENSES, BY MONTHS FOR YEAR ENDED DECEMBER 31st 1915
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1914

MONTHS	OPERATING EXPENSES (Including Depreciation)							Net Operating Revenue	Ratio of Operating Expenses to Operating Revenue
	Maintenance of Way and Structures	Maintenance of Equipment	Power	Transportation Expenses	Traffic Expenses	General Expenses	Total Operating Expenses		
January 1915....	\$23,933.89	\$12,801.65	\$24,868.57	\$53,117.12	\$80.00	\$10,885.18	\$125,686.41	\$194,800.08	39.22%
February "	23,025.70	13,390.48	21,547.59	47,768.22	112.25	11,380.29	117,224.53	177,707.55	39.75%
March "	23,965.55	11,197.14	24,905.79	53,030.50	80.00	11,919.71	125,098.69	202,248.10	38.22%
April "	22,804.41	11,779.04	21,045.75	51,049.01	83.50	12,181.36	118,943.07	195,431.63	37.83%
May "	24,863.25	13,906.15	18,217.69	51,715.97	80.00	12,777.36	121,560.42	191,542.70	38.82%
June "	22,344.93	14,616.94	19,431.67	50,960.01	180.00	12,523.64	120,057.19	175,098.91	40.67%
July "	22,363.42	14,319.01	16,855.66	50,673.60	80.00	12,127.90	116,419.59	161,789.46	41.85%
August "	21,818.59	13,399.42	16,925.58	51,251.20	80.00	12,871.03	116,345.82	162,712.85	41.69%
September "	19,743.74	11,839.94	16,984.61	49,480.98	80.00	13,224.71	111,353.98	176,443.25	38.69%
October "	21,651.58	14,505.37	18,207.20	51,417.32	80.00	12,408.45	118,269.92	211,732.08	35.84%
November "	21,071.96	19,134.16	19,780.77	50,533.13	80.00	12,277.91	122,877.93	205,627.06	37.40%
December "	21,837.21	28,787.23	24,737.77	54,305.48	94.37	12,996.04	142,758.10	214,259.83	39.99%
Totals year ended December 31st 1915	\$269,424.23	\$179,676.53	\$243,508.65	\$615,302.54	\$1,110.12	\$147,573.58	\$1,456,595.65	\$2,269,393.50	39.09%
Totals year ended December 31st 1914	\$260,801.32	\$159,256.79	\$245,478.10	\$622,485.69	\$1,625.05	\$157,692.73	\$1,447,339.68	\$2,303,610.75	38.58%
Increase	\$8,622.91	\$20,419.74					\$9,255.97		.51%
Per Cent. of Increase	3.3%	12.8%					0.6%		1.3%
Decrease			\$1,969.45	\$7,183.15	\$514.93	\$10,119.15		\$34,217.25	
Per Cent. of Decrease			0.8%	1.1%	31.6%	6.4%		1.5%	

EXHIBIT No. 9

TRAFFIC STATISTICS FOR YEARS ENDED DECEMBER 31st 1915 AND 1914

	1915	1914
MILES OF ROAD OPERATED	8.50	8.50
NUMBER OF REVENUE CAR MILES OPERATED.....	7,803,969	7,946,639
PASSENGER REVENUE.....	\$3,477,695.46	\$3,490,880.76
MISCELLANEOUS RAILROAD REVENUE.....	248,293.69	260,069.67
GROSS RAILROAD OPERATING REVENUE	\$3,725,989.15	\$3,750,950.43
OPERATING EXPENSES (Excluding Taxes).....	1,456,595.65	1,447,339.68
NET RAILROAD OPERATING REVENUE.....	\$2,269,393.50	\$2,303,610.75
Passenger Traffic:		
Number of Passengers Carried.....	59,915,192	59,900,257
Number of Passengers Carried per Mile of Road.....	7,048,846	7,047,089
Number of Passengers per Revenue Car Mile.....	7.68	7.54
Revenues and Operating Expenses:		
Passenger Revenue per Mile of Road.....	\$409,140.64	\$410,691.85
Gross Railroad Operating Revenue per Mile of Road.....	438,351.66	441,288.28
Operating Expenses (Excluding Taxes) per Mile of Road.....	171,364.19	170,275.25
Net Railroad Operating Revenue per Mile of Road.....	266,987.47	271,013.03
Passenger Revenue per Revenue Car Mile.....	\$0.4456	\$0.4393
Gross Railroad Operating Revenue per Revenue Car Mile.....	0.4774	0.4720
Operating Expenses (Excluding Taxes) per Revenue Car Mile....	0.1866	0.1821
Net Railroad Operating Revenue per Revenue Car Mile.....	0.2908	0.2899
Passenger Revenue per Passenger.....	\$0.0580	\$0.0583
Gross Railroad Operating Revenue per Passenger.....	0.0621	0.0626
Operating Expenses (Excluding Taxes) per Passenger.....	0.0243	0.0242
Net Railroad Operating Revenue per Passenger.....	0.0378	0.0384

EXHIBIT No. 10
MILEAGE OPERATED DURING 1915

MILES OF TRACK

IN NEW YORK:

Main Lines	6.317	
Sidings and Crossovers.....	<u>.774</u>	
Total Track in New York.....		7.091

IN NEW JERSEY:

Main Lines	10.694	
Sidings and Crossovers.....	.335	
Car Yard and approach.....	<u>1.908</u>	
Total Track in New Jersey.....		12.937
Total Mileage all Tracks.....		<u>20.028</u>

MILES OF ROAD:

In New York.....	3.15	
In New Jersey.....	<u>5.35</u>	
Total Miles of Road.....		<u>8.50</u>

EXHIBIT No. 11

DESCRIPTION OF CAR EQUIPMENT

Steel Passenger Cars with Motors.....	226
Steel Derrick Car with Motor.....	1
Flat Cars	4

DIMENSIONS OF PASSENGER CARS

Length over all.....	48 feet 0 inches
Width over all.....	8 " 11 $\frac{3}{8}$ "
Height over all.....	12 " 0 "
Seating Capacity	44 persons

EXHIBIT No. 12

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT

	CAPACITY
4 Turbo Units A. C.....	18,000 K. W.
9 Water Tube Boilers	}
9 Superheaters.....	
9 Economizers.....	
11 Rotary Converters	16,500 K. W.
33 Transformers	18,150 K. W.
Transmission Cables	11,000 Volt A. C.
Distribution Cables	625 Volt D. C.

HUDSON TERMINAL BUILDINGS REVENUES, EXPENSES AND TAXES FOR
THE YEARS ENDED DECEMBER 31st 1915 AND 1914

23

HUDSON AND MANHATTAN RAILROAD COMPANY

EIGHTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1916

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MAP OF
HUDSON & MANHATTAN RAILROAD
HUDSON TUNNEL SYSTEM

KEY

Hudson & Manhattan Railroad in Operation

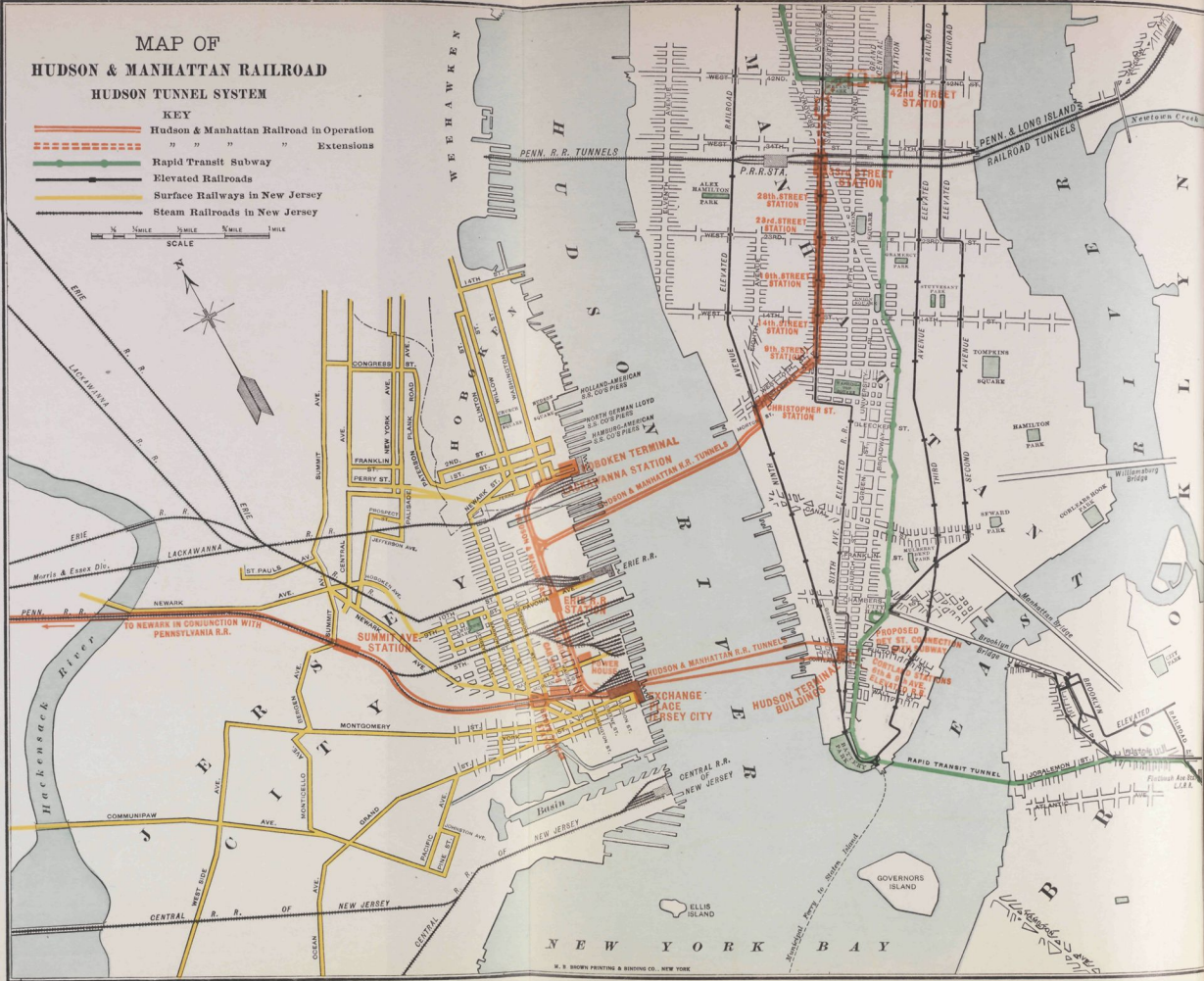
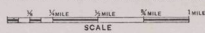
	??	??	??	??	Extensions
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Rapid Transit Subway

Interstate Highways
U.S. Highways
Elevated Railroads

Surface Railways in New Jersey

Steam Railroads in New Jersey



N E W Y O R K ^{and} B A Y

W. E. BROWN PRINTING & BINDING CO., NEW YORK

MAP OF HENRICH & HAZENHUTZ RAILROAD HENRICH, TENNESSEE

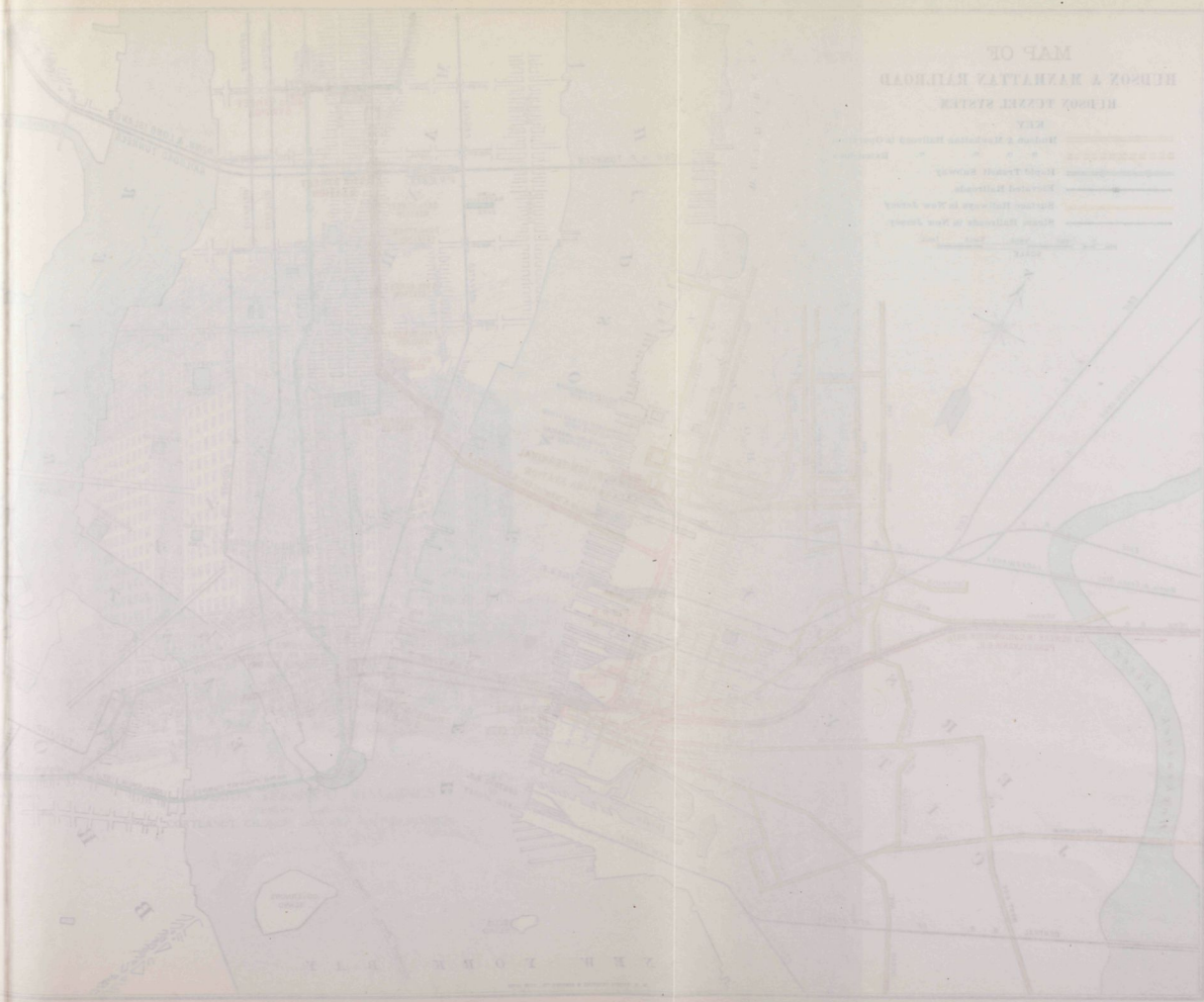
KEY

— Solid line — Henrich & Hazenutz Railroad in operation
— Dashed line — Henrich & Hazenutz Railroad in construction
— Thin line — Other railroad
— Yellow line — Branch line
— Blue line — Branch line in New York
— Green line — Branch line in New York

Scale 1:10,000

0 1 2 3 4 5 6 7 8 9 10

Feet





HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

774 Pa.

HUDSON AND MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

LEWIS L. CLARKE	-	-	New York City	RICHARD W. MEIRS	-	-	Philadelphia, Pa.
WILBUR C. FISK	-	-	Newfoundland, N. J.	WALTER G. OAKMAN	-	-	New York City
JEROME J. HANAUER	-	-	White Plains, N. Y.	JOHN W. PLATTEN	-	-	New York City
ALEXANDER J. HEMPHILL	-	-	New York City	OREN ROOT	-	-	New York City
FREDERIC B. JENNINGS	-	-	New York City	ALBERT H. WIGGIN	-	-	New York City
			WILLIAM H. WILLIAMS	-			Plainfield, N. J.

GENERAL OFFICERS

WILBUR C. FISK	-	-	-	President	RICHARD W. MEIRS	-	-	Vice-President
FLETCHER H. SILLICK	-	-	-	Comptroller	JAMES S. O'NEALE	-	-	Secretary and Treasurer
J. VIPOND DAVIES	-	-	-	Chief Engineer	KENVON B. CONGER	-	-	Real Estate Agent
				CARL S. KLUMPP, General Superintendent				

GENERAL COUNSEL

STETSON, JENNINGS & RUSSELL

15 Broad Street, New York

TRANSFER AGENTS

HARVEY FISK & SONS, 62 Cedar Street, New York

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK

HUDSON AND MANHATTAN RAILROAD COMPANY

New York, March 31st 1917.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

The Board of Directors submits herein its report of the operations of the company for the fiscal year ended December 31st 1916.

Condensed Comparative Statement of Income

	12 Months Ended December 31st 1916	12 Months Ended December 31st 1915
Gross revenue from railroad.....	\$4,084,847.86	\$3,725,989.15
Railroad operating expenses (including depreciation) and taxes.....	1,916,243.75	1,728,832.94
Railroad income	2,168,604.11	1,997,156.21
Gross revenue Hudson Terminal Buildings and other non-railroad sources	1,823,500.75	1,798,376.75
Operating expenses (including depreciation) and taxes.....	850,025.27	772,637.51
Non-railroad income	973,475.48	1,025,739.24
Gross income applicable to fixed charges.....	3,142,079.59	3,022,895.45
Income deductions other than bond interest.....	264,542.84	243,765.12
Net income applicable to bond interest.....	2,877,536.75	2,779,130.33
Deduct interest on N. Y. & J. 5's, First Mortgage 4½'s, and First Lien and Refunding 5's.....	2,155,402.07	2,137,998.33
	722,134.68	641,132.00
Appropriations to reserve for contingencies.....	390,000.00	.....
	332,134.68	641,132.00
Balance carried forward from prior period.....	50,244.28	71,152.28
	382,378.96	712,284.28
Interest distributed to income bondholders.....	331,020.00	662,040.00
Balance to carry forward to subsequent period.....	\$51,358.96	\$50,244.28

The report of the Comptroller including balance sheet, income account and other statements of accounts and statistics showing the financial condition of the company, are hereinafter submitted.

The growth of traffic which began to manifest itself in the fall of 1915 continued steadily throughout 1916, the increase in the number of passengers carried during the year being 6,268,438, or approximately 10.5%. An analysis of the traffic statistics indicates that of this increase 4,682,540 passengers (13.1%) represents the growth in the downtown traffic and 1,585,898 (6.6%) in the uptown traffic.

The Hudson Terminal Buildings have continued fully rented, and at times the demand for space has exceeded the supply.

In common with other railroad companies, this company has experienced unavoidable increases in cost of operations. These increases became most noticeable in the later months of the year, and were the result principally of wage increases and fuel shortage, and amounted in all to approximately \$266,000. Notwithstanding the increased cost of materials, supplies and labor, the physical property is in excellent condition, and the buildings, structures, track, signaling devices, electrical equipment and rolling stock have been efficiently maintained. In this connection reference is made to the report of Messrs. Stone & Webster on page 8.

After careful study, your Board of Directors reached the conclusion that it was in the interest of the company and of its security holders to considerably strengthen itself financially, so that it might be fortified against any contingencies which might arise in connection with the operation of its tunnels, lines of railroad and other properties. With this end in view, Messrs. Stone & Webster, recognized experts, were employed to make a careful investigation and report upon the physical as well as the financial condition of the company. Their report confirmed the judgment of the directors that it was urgently necessary promptly to attain an adequate cash reserve, and therefore at a meeting held on February 26th 1917 an appropriation of \$340,000 was made to the reserve account out of the net income of the company for the period ended December 31st 1916. An initial appropriation of \$50,000 to this reserve was made as of June 30th 1916, making the total so appropriated to date \$390,000. It is the opinion of your directors that this plan if continued for a time will secure the proper, safe and adequate maintenance, equipment and operation of the tunnels, lines of railroad and other properties of the company and preserve its earning capacity, for which purposes reserves may be set aside under the provisions of the Adjustment Income Mortgage. As this appropriation absorbed the surplus earnings of the company for the period ended December 31st 1916, no distribution of interest upon the Adjustment Income Bonds will be made on April 1st 1917.

As of December 31st 1916 there were in the treasury unsold \$126,500 face value of this company's First Lien and Refunding Mortgage 5% Bonds, being the remainder of bonds previously issued by authority of the Public Service Commission for the First District of the State of New

York, and the Board of Public Utility Commissioners of the State of New Jersey, for the purpose of reimbursing the company's treasury for additional capital expenditures approved by the Commissions. To December 31st 1916 the company has expended further amounts in addition and improvements, in the redemption of car purchase certificates, and in the reduction of real estate mortgages, in total aggregating \$447,548.83. These expenditures also have been verified, and their purposes approved by the engineers and accountants of the Commissions, but application has not as yet been made to the Commissions for the authorization of further bonds to reimburse the treasury.

On November 9th 1916 this Board with regret accepted the resignation of Mr. George W. Davison as a director, and on January 11th 1917 elected Mr. Oren Root to fill the vacancy.

On January 1st 1917 Mr. Carl S. Klumpp was appointed General Superintendent.

It is again a pleasure to make grateful acknowledgment of the loyal and efficient services rendered by all of the officers and employees of the company.

Respectfully submitted, by order of the Board of Directors.

WILBUR C. FISK,
President.

REPORT OF MESSRS. STONE & WEBSTER
ON THE PHYSICAL AND FINANCIAL CONDITION OF THE COMPANY

STONE & WEBSTER

147 MILK ST., BOSTON

February 23rd 1917.

WILBUR C. FISK, Esq.,

President, Hudson & Manhattan Railroad Company,
New York, N. Y.

Dear Sir:

In compliance with your request, we have made an examination or study of the property and accounts of the Hudson & Manhattan Railroad Company.

Our examination consisted of a careful survey of your tunnels, track and electrical construction, rolling stock, power plant, and terminal buildings, in order that we might be familiar with their character and condition as well as your method of operation.

We have also made a study of your books from 1906 to December 31st 1916.

From such tests of the records as we felt it necessary to make in connection with our study, we are justified in believing that the books of account have been correctly kept and that the statements submitted to us representing earnings and expenses for the twelve months ended December 31st 1916 and Balance Sheet as of December 31st 1916 are in accordance therewith.

As a result of this examination, we are of the opinion that the properties are in a high state of efficiency and maintenance, and that the method of operation is excellent; we find that the gross earnings of the company, even though slowly, have been steadily growing, and for the year ended December 31st 1916 were the largest in the history of the company; that while on account of additional cost of labor, fuel, etc., expenses have increased, the net earnings have also shown an increase as large as should be expected under such circumstances. In common with almost all other companies, your company is confronted with a considerable increase in the price of coal for the year 1917, and probably other operating items.

We find that the weakness in your present position is the lack of an adequate cash reserve.

As of December 31st 1916 the cash on hand was but little more than sufficient to meet the accrued interest on the First Mortgage bonds, taxes, and other fixed charges.

For these reasons, and because the company should be strongly fortified against any unforeseen contingencies which may arise, we are of the opinion that it is essential that the company create and maintain a reserve which will secure the proper, safe and adequate maintenance, equipment and operation of the tunnels, lines of railroad and other properties of the company and preserve its earning capacity.

In our opinion, appropriations should be made to this reserve until a balance of at least \$1,000,000 is reached, even though this will necessitate the temporary cessation of payment of interest on the company's Adjustment Income bonds. If the company's cash resources are now built up to a reasonable point, the result will be to more adequately protect all holders of securities of the company, and should make possible hereafter a larger distribution to the holders of Adjustment Income bonds than if such steps were not now taken to preserve the present resources of the company.

Yours very truly,

STONE & WEBSTER.

HUDSON AND MANHATTAN RAILROAD COMPANY

ACCOUNTING DEPARTMENT

HUDSON TERMINAL

30 CHURCH STREET

FLETCHER H. SILLICK
COMPTROLLER

J. GERRY DOBBINS
AUDITOR

New York, March 31st 1917.

WILBUR C. FISK, Esq.,
President.

Dear Sir:

I submit herewith a condensed balance sheet, income account, and profit and loss statement, together with other financial and operating tables and statistics, and hereby certify that they are in conformity with the books and that they correctly set forth the financial condition of the company at December 31st 1916, and the results of the operations of the company to that date.

Very truly yours,

FLETCHER H. SILLICK,

Comptroller.

EXHIBIT No. 1

CONDENSED COMPARATIVE BALANCE SHEET

A S S E T S		
December 31, 1915		December 31, 1916
\$120,593,702.28	Property accounts	\$120,664,995.11
1,011,461.35	Less reserve for amortization.....	1,208,103.87
119,582,240.93		119,456,891.24
8,000.00	Investments.....	8,000.00
114,099.14	Proceeds of sales of properties released from the lien of mortgages and deposited with trustees.....	111,070.70
631,448.95	Amortization funds, deposited or invested.....	875,100.07
3,687,958.81	Bond discount and expense in process of amortization.....	3,694,349.22
	* Working assets :	
1,043,306.96	Current cash account.....	970,094.16
25,685.02	Cash deposited to pay matured coupons (per contra).....	26,570.63
177,941.89	Current accounts receivable.....	183,978.87
9,060.66	Deposits with public departments.....	9,085.66
26,600.87	Prepaid insurance, taxes, etc.....	39,017.76
222,024.88	Materials and supplies—less reserves.....	286,330.48
1,504,620.28	Total working assets.....	1,515,077.56
\$125,528,368.11		\$125,660,488.79

*The Company's treasury is entitled to reimbursement for further capital expenditures to the amount of \$447,548.83 and by the proceeds to be obtained from the sale of \$126,500 First Lien bonds now retained in the treasury.

EXHIBIT No. 1

AS OF DECEMBER 31st 1916 AND DECEMBER 31st 1915

LIABILITIES AND CAPITAL

December 31, 1915		December 31, 1916
\$39,994,890.00	Common capital stock and scrip.....	\$39,994,890.00
5,242,151.25	Preferred capital stock and scrip.....	5,242,151.25
12,908.75	Stocks held in reserve to redeem outstanding securities of predecessor companies	12,908.75
5,000,000.00	New York and Jersey Railroad Company 5% mortgage bonds.	5,000,000.00
944,000.00	*First Mortgage 4½% bonds.....	944,000.00
37,119,133.66	First Lien and refunding mortgage 5% bonds.....	37,394,733.66
33,102,000.00	Adjustment income mortgage bonds.....	33,102,000.00
1,115,500.00	Real Estate mortgages.....	1,101,000.00
824,000.00	Car purchase obligations payable in installments to 1921....	640,000.00
608,216.61	Readjustment reserve	608,216.61
.....	†Reserve for contingencies.....	390,000.00
Working liabilities :		
156,031.85	Current accounts payable.....	175,753.29
25,685.02	Matured interest (per contra).....	26,570.63
921,130.41	Accrued interest	923,872.91
19,810.61	Rentals received in advance.....	1,962.56
61,645.67	Operating reserves	51,070.17
381,264.28	Balance of net income as per Exhibit No. 3.....	51,358.96
1,565,567.84	Total working liabilities.....	1,230,588.52
\$125,528,368.11		\$125,660,488.79

*The balance of the issue of old 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

†The account, "Reserve for Contingencies," consists of appropriations made by the Board of Directors as special reserves created under the terms of the Adjustment Income Mortgage "to secure the proper, safe and adequate maintenance, equipment and operation of the tunnels, lines of railroad and other properties of the company, or to preserve its earning capacity."

EXHIBIT No. 2
INCOME ACCOUNT FOR TWELVE MONTHS ENDED DECEMBER 31st 1916
COMPARED WITH TWELVE MONTHS ENDED DECEMBER 31st 1915

1915			1916
	\$3,477,695.46	GROSS REVENUE—PASSENGER FARES	
		MISCELLANEOUS REVENUE FROM RAILROAD OPERATIONS :	\$3,822,577.54
\$121,149.94		Advertising	\$112,572.15
69,026.74		Other Car and Station Privileges.....	73,608.32
12,081.29		Sale of Power.....	20,689.32
15,443.89		Miscellaneous Transportation Revenue....	12,429.60
30,591.83		Other Miscellaneous Revenue.....	42,970.93
	248,293.69	TOTAL MISCELLANEOUS RAILROAD REVENUE	262,270.32
	\$3,725,989.15	TOTAL RAILROAD REVENUE	\$4,084,847.86
		OPERATING EXPENSES OF RAILROAD :	
\$269,424.23		Maintenance of Way and Structures.....	\$268,060.80
179,676.53		Maintenance of Equipment.....	219,179.52
243,508.65		Power	275,986.10
615,302.54		Transportation Expenses.....	679,463.84
1,110.12		Traffic Expenses.....	3,307.67
147,573.58		General Expenses.....	176,635.56
	1,456,595.65	TOTAL OPERATING EXPENSES OF RAILROAD	1,622,633.49
	\$2,269,393.50	NET OPERATING REVENUE FROM RAILROAD	\$2,462,214.37
	272,237.29	TAXES ON RAILROAD OPERATING PROPERTIES	293,610.26
	\$1,997,156.21	NET INCOME FROM RAILROAD OPERATION	\$2,168,604.11
\$947,395.26		NET INCOME FROM HUDSON TERMINAL BUILDINGS (See Exhibit 13)	\$900,376.05
35,232.43		NET INCOME FROM OTHER REAL ESTATE PROPERTIES	17,701.21
	982,627.69	TOTAL NET INCOME FROM OUTSIDE OPERATIONS	918,077.26
	\$2,979,783.90	TOTAL NET INCOME FROM ALL OPERATING SOURCES	\$3,086,681.37
	43,111.55	NON-OPERATING INCOME	55,398.22
	\$3,022,895.45	GROSS INCOME	\$3,142,079.59
		INCOME DEDUCTIONS OTHER THAN BOND INTEREST :	
\$45,066.67		Interest on Car Purchase Agreements.....	\$35,866.67
50,835.50		Interest on Real Estate Mortgages.....	50,535.74
71,822.50		Rental Tracks, Yards and Terminals.....	83,377.27
39,020.36		Amortization of Debt Discount and Expense	39,795.12
37,020.09		Miscellaneous Deductions	54,968.04
	243,765.12	DEDUCTIONS PRIOR TO BOND INTEREST	264,542.84
	\$2,779,130.33	NET INCOME APPLICABLE TO BOND INTEREST	\$2,877,536.75
		Deduct Bond Interest on N. Y. & J. 5's, First Mortgage 4½'s and First Lien Re- funding 5's	2,155,402.07
	2,137,998.33		
	\$641,132.00	BALANCE OF NET INCOME, FOR THE PERIOD	\$722,134.68

EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED DECEMBER 31st 1916

Balance January 1st 1916.....		\$381,264.28
Less instalment of interest on Adjustment Income Bonds earned during six months ended December 31st 1915, declared March 1st 1916, and paid April 1st 1916 at the rate of \$10 per \$1000 bond.....		<u>331,020.00</u>
		\$50,244.28
Net earnings for six months ended June 30th 1916.....	\$379,769.98	
Less appropriation to reserve for contingencies.....	<u>50,000.00</u>	<u>329,769.98</u>
		\$380,014.26
Less instalment of interest on Adjustment Income Bonds earned during six months ended June 30th 1916, declared August 31st 1916, and paid October 1st 1916, at the rate of \$10 per \$1000 bond.....		<u>331,020.00</u>
		\$48,994.26
Net earnings for six months ended December 31st 1916.....	\$342,364.70	
Less appropriation to reserve for contingencies.....	<u>340,000.00</u>	<u>2,364.70</u>
Balance to carry forward to subsequent period (See Exhibit No. 1).....		\$51,358.96

EXHIBIT No. 4

BONDS OUTSTANDING, DECEMBER 31st 1916

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb.1, Aug.1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb.1, Aug.1	65,000,000.00	37,394,733.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	*	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb.1, Aug.1	† 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,440,733.66	

*As may be earned and declared up to 5%.

†The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

EXHIBIT No. 5

EQUIPMENT OBLIGATIONS OUTSTANDING DECEMBER 31st 1916

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALLMENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N. Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$1,012,220	\$230,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sep. 1	March 1, 1919
Guaranty Trust Co. of N. Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	462,500	200,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N. Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	300,000	210,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$2,414,720	\$1,774,720	\$640,000					

EXHIBIT No. 6

**RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1916 AND 1915**

O P E R A T I N G R E V E N U E S	1916	1915
Revenue from Transportation:		
Passenger Revenue	\$3,822,577.54	\$3,477,695.46
Miscellaneous Transportation Revenue.....	12,429.60	15,443.89
TOTAL REVENUE FROM TRANSPORTATION.....	\$3,835,007.14	\$3,493,139.35
Other Railroad Operating Revenues:		
Advertising Privileges	\$112,572.15	\$121,149.94
Other Car and Station Privileges.....	73,608.32	69,026.74
Sale of Power.....	20,689.32	12,081.29
Miscellaneous	42,970.93	30,591.83
TOTAL REVENUE OTHER THAN TRANSPORTATION.....	\$249,840.72	\$232,849.80
TOTAL RAILROAD OPERATING REVENUES.....	\$4,084,847.86	\$3,725,989.15
O P E R A T I N G E X P E N S E S		
Maintenance of Way and Structures:		
Superintendence	\$10,317.60	\$8,459.68
Ballast	1,750.26	1,381.65
Ties	5,722.53	5,931.04
Rails	10,522.25	12,257.87
Rail Fastenings and Joints.....	3,580.49	3,341.02
Special Work	1,219.73	1,000.00
Roadway and Track Labor.....	31,630.73	31,856.48
Miscellaneous Roadway and Track Expenses.....	1,570.23	1,986.79
Care of Track.....	18,508.27	22,165.30
Removal of Snow and Ice.....	1,158.63	720.09
Tunnels		
Tunnel Structure	2,317.56	4,168.45
Concrete Lining and Cable Ducts.....	275.50	.....
Ventilating System	196.70	1,028.55
Drainage System	30,349.38	26,195.92
Lighting System	6,380.97	5,081.61
Miscellaneous Expenses	5,197.92	5,950.82
Signal and Interlocking System.....	32,722.70	33,209.44
Telephone and Emergency Alarm System.....	1,410.51	2,891.84
Miscellaneous Maintenance of Way Expenses.....	2,242.93	3,468.84
Distribution System		
Feeders	3,381.28	2,058.66
Track Bonding	3,345.33	2,212.06
Contact Rails	5,245.05	6,777.37
Miscellaneous Expenses	87.14	12.97
Miscellaneous Electric Line Expenses.....	4,136.39	4,159.16
Buildings and Structures.....		
Car Shop Building.....	3,426.36	904.83
Stations, Waiting Rooms.....	27,280.58	29,228.78
Miscellaneous Buildings	251.98	517.82
Joint Way and Structures—Debit.....	6,679.65	5,209.06
Joint Way and Structures—Credit.....	171.61	189.91
Depreciation of Way and Structures.....	47,438.04	47,438.04
TOTAL.....	\$268,060.80	\$269,424.23
Maintenance of Equipment:		
Superintendence	\$8,227.46	\$8,034.09
Passenger Cars	170,911.07	120,508.68
Work Cars	367.34	115.14
Electric Equipment of Cars.....	15,724.67	12,288.69
Car Shop Machinery and Tools.....	4,242.86	3,164.01
Car Shop Expenses.....	22,219.77	16,764.99
Miscellaneous Equipment Expenses.....	7.39	.....
Maintenance of Joint Equipment—Credit.....	44,482.04	23,100.07
Depreciation of Equipment	41,901.00	41,901.00
TOTAL.....	\$219,179.52	\$179,676.53

EXHIBIT No. 6—Continued

RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1916 AND 1915

O P E R A T I N G E X P E N S E S — Continued		1916	1915
Power:			
Superintendence	\$9,844.30	\$11,344.96	
Main Power House Building	3,491.02	2,803.49	
Sub-Station No. 1 Building	157.12	820.11	
Main Power House Equipment	29,321.79	32,928.52	
Sub-Station No. 1 Equipment	132.01	148.69	
Sub-Station No. 2 Equipment	420.01	264.77	
Sub-Station No. 3 Equipment	219.57	223.62	
Transmission System		11.23	
Depreciation of Power Plant Buildings and Equipment	35,677.92	35,677.92	
Wages Main Power House Employees	80,907.74	64,675.32	
Fuel for Main Power House	172,389.48	133,868.76	
Water for Main Power House	6,139.31	9,049.99	
Lubricants for Main Power House	1,359.68	1,588.11	
Miscellaneous Supplies and Expenses M.P.H.	5,941.79	4,852.06	
Wages Sub-Station No. 1 Employees	5,989.18	5,932.09	
Supplies and Expenses Sub-Station No. 1	605.36	488.27	
Wages Sub-Station No. 2 Employees	5,121.00	5,068.15	
Supplies and Expenses Sub-Station No. 2	345.02	314.99	
Wages Sub-Station No. 3 Employees	5,867.89	5,789.11	
Supplies and Expenses Sub-Station No. 3	320.32	310.40	
Power Purchased	166.00	80.00	
Power Exchanged—Balance			
Other Operations—Credit	88,108.41	78,781.91	
TOTAL	\$275,986.10	\$243,508.65	
Transportation Expenses:			
Superintendence	\$52,750.45	\$48,373.19	
Wages Passenger Motormen	112,229.48	106,511.80	
Wages Passenger Conductors	80,611.16	75,033.80	
Wages Passenger Trainmen	158,735.43	132,536.90	
Wages other Car Service Employees	31,862.08	28,857.73	
Train Supplies and Expenses	19,492.85	17,500.05	
Wages Station Employees	166,289.57	157,986.65	
Station Supplies and Expenses	18,861.31	14,913.52	
Car House Supplies and Expenses	66,089.16	55,493.48	
Operating Signal and Interlocking System	4,611.66	3,538.96	
Operating Telephone System	46,529.33	42,266.00	
Operating Telephone System	3,805.91	4,278.08	
Other Transportation Expenses	4,322.52	1,006.79	
Joint Operation of Trains—Debit	4,141.09	4,039.13	
Joint Operation of Trains—Credit	90,868.16	77,083.54	
TOTAL	\$679,463.84	\$615,302.54	
Traffic Expenses:			
Superintendence and Solicitation	\$980.00	\$960.00	
Advertising	2,327.67	150.12	
TOTAL	\$3,307.67	\$1,110.12	
General Expenses:			
Salaries and Expenses General Officers	\$38,549.74	\$39,022.66	
Salaries and Expenses General Office Clerks	45,544.09	40,336.94	
General Office Supplies and Expenses	529.06	1,590.42	
General Law Expenses	11,185.77	11,252.69	
Stationery and Printing	5,445.45	5,439.90	
Store Expenses	12,301.02	13,625.37	
Insurance	5,167.20	3,189.03	
Injuries and Damages	12,945.56	13,756.53	
Law Expenses in connection with Damages	1,618.45	1,023.95	
Contributions to Employees' Benefit Fund	2,427.30	2,490.00	
Premiums Paid on Life Insurance Policies for Employees	2,632.39		
Miscellaneous General Expenses	40,365.73	18,835.67	
Undistributed Adjustments—balance	2,076.20	2,989.58	
TOTAL	\$176,635.56	\$147,573.58	
TOTAL RAILROAD OPERATING EXPENSES	\$1,622,633.49	\$1,456,595.65	
NET RAILROAD OPERATING REVENUE	\$2,462,214.37	\$2,269,393.50	
TAXES ON RAILROAD OPERATING PROPERTIES	293,610.26	272,237.29	
OPERATING INCOME	\$2,168,604.11	\$1,997,156.21	
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES	39.72%	39.09%	
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES	46.91%	46.40%	

EXHIBIT No. 7
RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st 1916
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1915

MONTHS	Passengers Carried	OPERATING REVENUES						
		Passenger Revenue	Advertising	Other Car and Station Privileges	Sale of Power	Miscellaneous Revenue other than Transportation	Miscellaneous Transportation Revenue	Total Operating Revenue
January 1916...	5,564,801	\$322,920.37	\$8,926.18	\$6,288.23	\$1,763.01	\$2,412.98	\$851.40	\$343,162.17
February "	5,215,267	302,770.42	8,684.99	5,833.13	1,740.23	1,930.04	816.20	321,775.01
March "	5,818,252	337,778.08	8,887.77	6,367.53	1,709.87	2,486.70	900.60	358,130.55
April "	5,715,243	331,280.66	9,115.49	6,429.31	1,655.98	2,377.93	943.40	351,802.77
May "	5,703,029	328,701.59	9,817.73	6,046.65	1,681.33	2,446.76	966.80	349,660.86
June "	5,314,409	305,272.03	9,472.95	5,834.52	1,660.33	2,319.31	826.70	325,385.84
July "	4,860,975	275,885.26	9,082.73	4,794.33	1,657.82	4,783.53	820.90	297,024.57
August "	4,732,988	270,143.38	8,734.22	5,980.27	1,781.02	4,112.17	3,231.30	293,982.36
September "	5,228,588	302,264.29	9,517.12	5,907.41	1,720.71	4,431.01	771.70	324,612.24
October "	5,840,884	338,637.45	10,309.63	6,151.99	1,733.34	3,783.28	770.20	361,385.89
November "	5,813,774	336,959.09	9,885.55	6,230.62	1,802.70	5,427.68	758.60	361,064.24
December "	6,375,420	369,964.92	10,137.79	7,744.33	1,782.98	6,459.54	771.80	396,861.36
Totals year ended December 31st 1916	66,183,630	\$3,822,577.54	\$112,572.15	\$73,608.32	\$20,689.32	\$42,970.93	\$12,429.60	\$4,084,847.86
Totals year ended December 31st 1915	59,915,192	\$3,477,695.46	\$121,149.94	\$69,026.74	\$12,081.29	\$30,591.83	\$15,443.89	\$3,725,989.15
Increase	6,268,438	\$344,882.08		\$4,581.58	\$8,608.03	\$12,379.10		\$358,858.71
Per Cent. of Increase	10.5%	9.9%		6.6%	71.2%	40.5%		9.6%
Decrease			\$8,577.79				\$3,014.29	
Per Cent. of Decrease			7.1%				19.5%	

EXHIBIT No. 8
RAILROAD OPERATING EXPENSES, BY MONTHS FOR YEAR ENDED DECEMBER 31st 1916
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1915

MONTHS	OPERATING EXPENSES (Including Depreciation)							Net Operating Revenue	Ratio of Operating Expenses to Operating Revenue
	Maintenance of Way and Structures	Maintenance of Equipment	Power	Transportation Expenses	Traffic Expenses	General Expenses	Total Operating Expenses		
January 1916....	\$20,102.78	\$21,610.39	\$24,365.27	\$52,574.89	\$80.00	\$12,180.26	\$130,913.59	\$212,248.58	38.15%
February "	23,670.42	21,542.80	24,985.23	50,265.37	80.00	11,301.23	131,845.05	189,929.96	40.97%
March "	23,908.15	23,466.49	23,440.69	53,975.79	420.17	13,213.93	138,425.22	219,705.33	38.65%
April "	21,334.30	18,746.77	18,805.94	54,479.31	257.64	13,503.54	127,127.50	224,675.27	36.14%
May "	23,212.19	20,223.92	19,270.59	55,894.36	769.00	13,557.51	132,927.57	216,733.29	38.02%
June "	24,051.79	16,835.10	14,249.03	54,075.09	705.01	15,806.67	125,722.69	199,663.15	38.64%
July "	22,598.56	13,615.57	18,584.04	54,332.26	175.05	12,568.14	121,873.62	175,150.95	41.03%
August "	22,732.51	14,388.73	20,713.27	55,485.17	110.00	14,620.11	128,049.79	165,932.57	43.56%
September "	20,714.24	14,897.66	24,702.46	56,637.72	155.00	20,908.01	138,015.09	186,597.15	42.52%
October "	21,026.51	19,006.24	23,101.27	70,425.21	152.50	18,467.06	152,178.79	209,207.10	42.11%
November "	23,146.21	20,281.18	28,563.94	59,634.81	115.00	14,331.53	146,072.67	214,991.57	40.46%
December "	21,563.14	14,564.67	35,204.37	61,683.86	288.30	16,177.57	149,481.91	247,379.45	37.67%
Totals year ended December 31st 1916	\$268,060.80	\$219,179.52	\$275,986.10	\$679,463.84	\$3,307.67	\$176,635.56	\$1,622,633.49	\$2,462,214.37	39.72%
Totals year ended December 31st 1915	\$269,424.23	\$179,676.53	\$243,508.65	\$615,302.54	\$1,110.12	\$147,573.58	\$1,456,595.65	\$2,269,393.50	39.09%
Increase		\$39,502.99	\$32,477.45	\$64,161.30	\$2,197.12	\$29,061.98	\$166,037.84	\$192,820.87	0.63%
Per Cent. of Increase		22%	13.3%	10.4%	197.9%	19.7%	11.4%	8.5%	1.6%
Decrease	\$1,363.43								
Per Cent. of Decrease	0.5%								

EXHIBIT No. 9

TRAFFIC STATISTICS FOR YEARS ENDED DECEMBER 31st 1916 AND 1915

	1916	1915
MILES OF ROAD OPERATED	8.50	8.50
NUMBER OF REVENUE CAR MILES OPERATED	8,140,656	7,803,969
PASSENGER REVENUE.....	\$3,822,577.54	\$3,477,695.46
MISCELLANEOUS RAILROAD REVENUE.....	262,270.32	248,293.69
GROSS RAILROAD OPERATING REVENUE.....	\$4,084,847.86	\$3,725,989.15
OPERATING EXPENSES (Excluding Taxes).....	1,622,633.49	1,456,595.65
NET RAILROAD OPERATING REVENUE.....	\$2,462,214.37	\$2,269,393.50
Passenger Traffic:		
Number of Passengers Carried.....	66,183,630	59,915,192
Number of Passengers Carried per Mile of Road.....	7,786,309	7,048,846
Number of Passengers per Revenue Car Mile.....	8.13	7.68
Revenues and Operating Expenses:		
Passenger Revenue per Mile of Road.....	\$449,715.00	\$409,140.64
Gross Railroad Operating Revenue per Mile of Road.....	480,570.34	438,351.66
Operating Expenses (Excluding Taxes) per Mile of Road.....	190,898.06	171,364.19
Net Railroad Operating Revenue per Mile of Road.....	289,672.28	266,987.47
Passenger Revenue per Revenue Car Mile.....	\$0.4696	\$0.4456
Gross Railroad Operating Revenue per Revenue Car Mile.....	0.5018	0.4774
Operating Expenses (Excluding Taxes) per Revenue Car Mile....	0.1993	0.1866
Net Railroad Operating Revenue per Revenue Car Mile.....	0.3025	0.2908
Passenger Revenue per Passenger.....	\$0.0578	\$0.0580
Gross Railroad Operating Revenue per Passenger.....	0.0617	0.0621
Operating Expenses (Excluding Taxes) per Passenger.....	0.0245	0.0243
Net Railroad Operating Revenue per Passenger.....	0.0372	0.0378

EXHIBIT No. 10
MILEAGE OPERATED DURING 1916

MILES OF TRACK

IN NEW YORK :

Main Lines	6.317	
Sidings and Crossovers.....	<u>.774</u>	
Total Track in New York.....		7.091

IN NEW JERSEY :

Main Lines	10.694	
Sidings and Crossovers.....	.335	
Car Yard and approach.....	<u>1.908</u>	
Total Track in New Jersey.....		12.937
Total Mileage all Tracks.....		<u>20.028</u>

MILES OF ROAD :

In New York.....	3.15	
In New Jersey.....	<u>5.35</u>	
Total Miles of Road.....		<u>8.50</u>

EXHIBIT No. 11

DESCRIPTION OF CAR EQUIPMENT

Steel Passenger Cars with Motors.....	226
Steel Derrick Car with Motor.....	1
Flat Cars	4

DIMENSIONS OF PASSENGER CARS

Length over all.....	48 feet 0 inches
Width over all.....	8 " 11 $\frac{3}{16}$ "
Height over all.....	12 " 0 "
Seating Capacity	44 persons

EXHIBIT No. 12

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT

	CAPACITY
4 Turbo Units A. C.....	18,000 K. W.
9 Water Tube Boilers)	
9 Superheaters.....)	8,100 H. P.
9 Economizers.....)	
11 Rotary Converters	16,500 K. W.
33 Transformers	18,150 K. W.
Transmission Cables	11,000 Volt A. C.
Distribution Cables	625 Volt D. C.

EXHIBIT No. 13
HUDSON TERMINAL BUILDINGS REVENUES, EXPENSES AND TAXES FOR
THE YEARS ENDED DECEMBER 31st 1916 AND 1915

1915			1916	
		OPERATING REVENUES:		
	\$1,661,010.37	GROSS RENTALS.....		\$1,674,459.47
	45,280.95	MISCELLANEOUS REVENUES		49,827.63
	\$1,706,291.32			\$1,724,287.10
	16,494.51	Less Assumed Leases in other Buildings.		16,324.97
	\$1,689,796.81	NET TOTAL OPERATING REVENUES		\$1,707,962.13
		OPERATING EXPENSES:		
\$89,405.73		Maintenance of Structures and Plant.....	\$94,509.53	
302,218.90		Expenses of Operation.....	331,747.75	
75,950.11		General Expenses	88,231.68	
\$467,574.74			\$514,488.96	
36,864.00		Depreciation of Buildings and Plant.....	36,864.00	
	504,438.74	TOTAL OPERATING EXPENSES		551,352.96
	\$1,185,358.07	NET OPERATING REVENUE		\$1,156,609.17
	237,962.81	TAXES		256,233.12
	\$947,395.26	NET INCOME FROM HUDSON TERMINAL BUILDINGS		\$900,376.05
29.85%	Ratio of Operating Expenses to Net Total Operating Revenues.			32.28%

HUDSON AND MANHATTAN RAILROAD COMPANY

NINTH ANNUAL REPORT

YEAR ENDED DECEMBER 31 1917

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MAP OF HUDSON & MANHATTAN RAILROAD

HUDSON TUNNEL SYSTEM

KEY

- Hudson & Manhattan Railroad in Operation
- Extensions
- Interborough Rapid Transit Subway
- Brooklyn Rapid Transit Subway
- Elevated Railroads
- Surface Railways in New Jersey
- Steam Railroads in New Jersey

1/2 MILE 1 MILE 1/2 MILE 1 MILE
SCALE



NEW YORK BAY



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON AND MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

LEWIS L. CLARKE	-	-	-	New York City	FREDERIC B. JENNINGS	-	-	New York City
J. VIPOND DAVIES	-	-	-	Flushing, L. I.	WALTER G. OAKMAN	-	-	New York City
WILBUR C. FISK	-	-	-	Newfoundland, N. J.	JOHN W. PLATTEN	-	-	New York City
JEROME J. HANAUER	-	-	-	White Plains, N. Y.	OREN ROOT	-	-	New York City
ALEXANDER J. HEMPHILL	-	-	-	New York City	ALBERT H. WIGGIN	-	-	New York City
				WILLIAM H. WILLIAMS	-	-	-	Plainfield, N. J.

GENERAL OFFICERS

WILBUR C. FISK	-	-	-	-	President	J. VIPOND DAVIES, Vice-President and Chief Engineer
FLETCHER H. SILICK	-	-	-	-	Comptroller	JAMES S. O'NEALE - - Secretary and Treasurer
CARL S. KLUMPP	-	-	-	-	General Superintendent	KENYON B. CONGER - - Real Estate Agent

GENERAL COUNSEL

STETSON, JENNINGS & RUSSELL
15 Broad Street, New York

TRANSFER AGENTS

HARVEY FISK & SONS, 62 Cedar Street, New York

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK

HUDSON AND MANHATTAN RAILROAD COMPANY

New York, March 30th 1918.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

The Board of Directors submits herein its report of the operations of the company for the fiscal year ended December 31st 1917.

Condensed Comparative Statement of Income

	12 Months Ended December 31st 1917	12 Months Ended December 31st 1916
Gross revenue from railroad.....	\$4,427,005.58	\$4,084,847.86
Railroad operating expenses (including depreciation) and taxes.....	2,219,903.96	1,916,243.75
Railroad income	2,207,101.62	2,168,604.11
Gross revenue Hudson Terminal Buildings and other non-railroad sources	1,866,351.52	1,823,500.75
Operating expenses (including depreciation) and taxes.....	938,265.17	850,025.27
Non-railroad income	928,086.35	973,475.48
Gross income applicable to fixed charges.....	3,135,187.97	3,142,079.59
Income deductions other than bond interest.....	280,807.31	264,542.84
Net income applicable to bond interest.....	2,854,380.66	2,877,536.75
Deduct interest on N. Y. & J. 5's, First Mortgage 4½'s, and First Lien and Refunding 5's.....	2,167,533.56	2,155,402.07
	686,847.10	722,134.68
Appropriations to reserve for contingencies.....	685,000.00	390,000.00
	1,847.10	332,134.68
Balance carried forward from prior period.....	51,358.96	50,244.28
	53,206.06	382,378.96
Interest distributed to income bondholders.....	.....	331,020.00
Balance to carry forward to subsequent period.....	\$53,206.06	\$51,358.96

The balance sheet, income account, and various other statements of accounts and statistics, showing the financial condition of the company are attached hereto.

Pursuant to the proclamation of President Wilson, Hon. William G. McAdoo, as Director-General of Railroads, on December 28th 1917 assumed possession, operation and control of this company's property. The following is a copy of General Order No. 53 announcing governmental control.

January 3rd 1918.

TO THE OFFICERS AND EMPLOYEES OF HUDSON AND MANHATTAN RAILROAD COMPANY:

Your attention is directed to the following order:

"Washington, D. C., December 28th, 1917.

TO THE PRESIDENTS AND DIRECTORS OF ALL RAILROAD COMPANIES:

Having assumed the duties imposed upon me by, and in pursuance of, the proclamation of the President dated December 26th, 1917, you will, until otherwise ordered, continue the operation of your road in conformity with said proclamation. You are requested to make every possible effort to increase efficiency and to move traffic by the most convenient and expeditious routes.

I confidently count on your hearty co-operation. It is only through united effort, unselfish service and effective work that this war can be won and America's future be secured.

W. G. McADOO,
Director-General of Railroads."

In conformity with these instructions, the organization and rules for the conduct of the business of the company, heretofore authorized by the Board of Directors, will continue in effect, and all rules and regulations, all tariffs and instructions, as heretofore issued and duly authorized, remain in effect, and the business and operation of the road will continue in accordance therewith.

I have assured Director-General McAdoo of the hearty support of our entire organization, as I know that every employe of the company will continue his faithful and loyal devotion to his work.

W. C. FISK,
President.

On April 20th 1917 occurred the death of Mr. Richard W. Meirs, Vice-President and an active member of your Board, and on April 26th 1917 Mr. J. Vipond Davies, who has been active in the affairs of the company since its organization and for ten years has been its chief engineer, was elected a director and Vice-President of the company to succeed Mr. Meirs.

The year 1917 with the abnormal cares and unusual conditions incident to our country's entrance into the Great War, has placed many unforeseen difficulties and unusual trials upon the officers and employes of the company, and it is more than ever a duty as well as a pleasure hereir. to make acknowledgment of the loyalty and efficiency of our staff, not only in their duties to the company but in their patriotism and sacrifices for their country. Particular reference is made to the purchase of Liberty Loan Bonds by a substantial majority of our employes.

Respectfully submitted by order of the Board.

WILBUR C. FISK,
President.

HUDSON AND MANHATTAN RAILROAD COMPANY

ACCOUNTING DEPARTMENT

HUDSON TERMINAL

30 CHURCH STREET

New York, March 30th 1918.

WILBUR C. FISK, Esq.,
President.

Dear Sir:

I submit herewith a condensed balance sheet, income account, and profit and loss statement, together with other financial and operating tables and statistics, and hereby certify that they are in conformity with the books and that they correctly set forth the financial condition of the company at December 31st 1917, and the results of the operations of the company to that date.

Very truly yours,

J. GERRY DOBBINS,

Auditor.

Approved:

FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1

CONDENSED COMPARATIVE BALANCE SHEET

ASSETS		
December 31 1916		December 31 1917
\$120,664,995.11	Property accounts	\$120,754,488.87
1,208,103.87	Less reserve for amortization.....	1,418,197.99
119,456,891.24		119,336,290.88
8,000.00	Investment	1,000.00
111,070.70	Proceeds of sales of properties released from the lien of mortgages and deposited with trustees.....	111,070.70
875,100.07	Amortization funds, deposited or invested.....	1,135,185.09
3,694,349.22	Bond discount and expense in process of amortization.....	3,668,625.00
	Working assets :	
970,094.16	*Current cash account	829,925.84
26,570.63	Cash deposited to pay matured coupons (per contra).....	25,760.63
.....	U. S. Government 2nd Liberty Loan 4% Bonds.....	250,000.00
183,978.87	Current accounts receivable.....	208,935.05
9,085.66	Deposits with public departments.....	14,185.66
39,017.76	Prepaid insurance, taxes, etc.....	51,386.98
286,330.48	Materials and supplies—less reserves.....	452,350.68
.....	Accounts in suspense	461.57
1,515,077.56	Total working assets.....	1,833,006.41
\$125,660,488.79		\$126,085,178.08

*The Company's treasury is entitled to reimbursement for further capital expenditures to the amount of \$895,611.70.

EXHIBIT No. 1

AS OF DECEMBER 31st 1917 AND DECEMBER 31st 1916

LIABILITIES AND CAPITAL

December 31 1916		December 31 1917
\$39,994,890.00	Common capital stock and scrip.....	\$39,994,890.00
5,242,151.25	Preferred capital stock and scrip.....	5,242,151.25
12,908.75	Stocks held in reserve to redeem outstanding securities of predecessor companies	12,908.75
5,000,000.00	New York and Jersey Railroad Company 5% mortgage bonds.	5,000,000.00
944,000.00	*First Mortgage 4½% bonds.....	944,000.00
37,394,733.66	First Lien and refunding mortgage 5% bonds.....	37,521,233.66
33,102,000.00	Adjustment income mortgage bonds.....	33,102,000.00
1,101,000.00	Real Estate mortgages.....	927,000.00
640,000.00	Car purchase obligations payable in installments to 1921....	456,000.00
608,216.61	Readjustment reserve	601,359.47
390,000.00	†Reserve for contingencies.....	1,075,000.00
Working liabilities :		
175,753.29	Current accounts payable.....	165,012.76
26,570.63	Matured interest (per contra).....	25,760.63
923,872.91	Accrued interest	922,502.97
1,962.56	Rentals received in advance.....	827.50
51,070.17	Operating reserves	41,325.03
51,358.96	Balance of net income as per Exhibit No. 3.....	53,206.06
1,230,588.52	Total working liabilities.....	1,208,634.95
\$125,660,488.79		\$126,085,178.08

*The balance of the issue of old 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

†The account, "Reserve for Contingencies," consists of appropriations made by the Board of Directors as special reserves created under the terms of the Adjustment Income Mortgage "to secure the proper, safe and adequate maintenance, equipment and operation of the tunnels, lines of railroad and other properties of the company or to preserve its earning capacity."

EXHIBIT No. 2

**INCOME ACCOUNT FOR TWELVE MONTHS ENDED DECEMBER 31st 1917
COMPARED WITH TWELVE MONTHS ENDED DECEMBER 31st 1916**

1916			1917	
	\$3,822,577.54	GROSS REVENUE—PASSENGER FARES		\$4,110,435.42
\$112,572.15		MISCELLANEOUS REVENUE FROM RAILROAD OPERATIONS :		
73,608.32		Advertising	\$119,500.15	
20,689.32		Other Car and Station Privileges.....	82,637.46	
12,429.60		Sale of Power.....	20,585.78	
42,970.93		Miscellaneous Transportation Revenue....	15,025.12	
		Other Miscellaneous Revenue.....	78,821.65	
	262,270.32	TOTAL MISCELLANEOUS RAILROAD REVENUE		316,570.16
	\$4,084,847.86	TOTAL RAILROAD REVENUE		\$4,427,005.58
		OPERATING EXPENSES OF RAILROAD :		
\$268,060.80		Maintenance of Way and Structures.....	\$293,168.33	
219,179.52		Maintenance of Equipment.....	190,234.26	
275,986.10		Power	476,818.78	
679,463.84		Transportation Expenses.....	742,337.84	
3,307.67		Traffic Expenses.....	2,334.85	
176,635.56		General Expenses.....	206,571.65	
	1,622,633.49	TOTAL OPERATING EXPENSES OF RAILROAD		1,911,465.71
	\$2,462,214.37	NET OPERATING REVENUE FROM RAILROAD		\$2,515,539.87
	293,610.26	TAXES ON RAILROAD OPERATING PROPERTIES		308,438.25
	\$2,168,604.11	NET INCOME FROM RAILROAD OPERATION		\$2,207,101.62
\$900,376.05		NET INCOME FROM HUDSON TERMINAL BUILDINGS (See Exhibit 119)	\$876,776.62	
17,701.21		NET INCOME FROM OTHER REAL ESTATE PROPERTIES	26,703.23	
	918,077.26	TOTAL NET INCOME FROM OUTSIDE OPERATIONS		850,073.39
	\$3,086,681.37	TOTAL NET INCOME FROM ALL OPERATING SOURCES		\$3,057,175.01
	55,398.22	NON-OPERATING INCOME		78,012.96
	\$3,142,079.59	GROSS INCOME		\$3,135,187.97
		INCOME DEDUCTIONS OTHER THAN BOND INTEREST :		
\$35,866.67		Interest on Car Purchase Agreements.....	\$26,666.66	
50,535.74		Interest on Real Estate Mortgages.....	47,565.54	
83,377.27		Rental Tracks, Yards and Terminals.....	76,286.99	
39,795.12		Amortization of Debt Discount and Expense	39,795.12	
54,968.04		Miscellaneous Deductions	90,493.00	
	264,542.84	DEDUCTIONS PRIOR TO BOND INTEREST		280,807.31
	\$2,877,536.75	NET INCOME APPLICABLE TO BOND INTEREST		\$2,854,380.66
		Deduct Bond Interest on N. Y. & J. 5's, First Mortgage 4½'s and First Lien Re- funding 5's		2,167,533.56
	2,155,402.07			
	\$722,134.68	BALANCE OF NET INCOME, FOR THE PERIOD		\$686,847.10

EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED DECEMBER 31st 1917

Balance January 1st 1917.....		\$51,358.96
Net earnings for six months ended June 30th 1917.....	\$376,079.44	
Less appropriation to reserve for contingencies.....	<u>375,000.00</u>	<u>1,079.44</u>
		\$52,438.40
Net earnings for six months ended December 31st 1917.....	\$310,767.66	
Less appropriation to reserve for contingencies.....	<u>310,000.00</u>	<u>767.66</u>
Balance to carry forward to subsequent period (See Exhibit No. 1).....		\$53,206.06

EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31st 1917

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb.1, Aug.1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb.1, Aug.1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	*	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb.1, Aug.1	† 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*As may be earned and declared up to 5%.

†The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

EXHIBIT No. 5
EQUIPMENT OBLIGATIONS OUTSTANDING DECEMBER 31st 1917

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALL- MENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N.Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$1,104,220	\$138,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sep. 1	March 1, 1919
Guaranty Trust Co. of N.Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	512,500	150,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N.Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	342,000	168,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$2,414,720	\$1,958,720	\$456,000					

EXHIBIT No. 6

RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1917 AND 1916

OPERATING REVENUES		1917	1916
Revenue from Transportation:			
Passenger Revenue		\$4,110,435.42	\$3,822,577.54
Miscellaneous Transportation Revenue.....		15,025.12	12,429.60
TOTAL REVENUE FROM TRANSPORTATION.....		\$4,125,460.54	\$3,835,007.14
Other Railroad Operating Revenues:			
Advertising Privileges		\$119,500.15	\$112,572.15
Other Car and Station Privileges.....		82,637.46	73,608.32
Sale of Power		20,585.78	20,689.32
Miscellaneous		78,821.65	42,970.93
TOTAL REVENUE OTHER THAN TRANSPORTATION.....		\$301,545.04	\$249,840.72
TOTAL RAILROAD OPERATING REVENUES.....		\$4,427,005.58	\$4,084,847.86
OPERATING EXPENSES			
Maintenance of Way and Structures:			
Superintendence		\$8,466.41	\$10,317.60
Ballast		2,830.25	1,750.26
Ties		5,616.50	5,722.53
Rails		1,807.52	10,522.25
Rail Fastenings and Joints.....		8,168.18	3,580.49
Special Work		4.63	1,219.73
Roadway and Track Labor.....		60,763.60	31,630.73
Miscellaneous Roadway and Track Expenses.....		1,356.55	1,570.23
Care of Track		19,539.16	18,508.27
Removal of Snow and Ice.....		327.08	1,158.63
Tunnels			
Tunnel Structure		2,021.50	2,317.56
Concrete Lining and Cable Ducts.....		182.29	275.50
Ventilating System		316.76	196.70
Drainage System		29,589.26	30,349.38
Lighting System		5,911.93	6,380.97
Miscellaneous Expenses		1,077.83	5,197.92
Signal and Interlocking System.....		33,844.13	32,722.70
Telephone and Emergency Alarm System.....		2,458.00	1,410.51
Miscellaneous Maintenance of Way Expenses.....		2,750.09	2,242.93
Distribution System			
Feeders		5,996.30	3,381.28
Track Bonding		1,680.31	3,345.33
Contact Rails		7,147.92	5,245.05
Miscellaneous Expenses		161.43	27.14
Miscellaneous Electric Line Expenses.....		3,061.18	4,136.39
Buildings and Structures.....			
Car Shop Building.....		3,770.63	3,426.36
Stations, Waiting Rooms.....		30,525.73	27,280.58
Miscellaneous Buildings		278.96	251.98
Joint Way and Structures—Debit.....		6,318.34	6,679.65
Joint Way and Structures—Credit.....		242.18	171.01
Depreciation of Way and Structures.....		47,438.04	47,438.04
TOTAL.....		\$293,168.33	\$268,060.80
Maintenance of Equipment:			
Superintendence		\$6,691.60	\$8,227.46
Passenger Cars		115,592.04	170,911.07
Work Cars		940.08	367.34
Electric Equipment of Cars.....		15,474.35	15,724.67
Car Shop Machinery and Tools.....		4,914.26	4,242.86
Car Shop Expenses.....		24,402.96	22,219.77
Miscellaneous Equipment Expenses.....			7.39
Maintenance of Joint Equipment—Credit.....		19,682.03	44,422.04
Depreciation of Equipment		41,901.00	41,901.00
TOTAL.....		\$190,234.26	\$219,179.52

EXHIBIT No. 6—Continued

RAILROAD OPERATING REVENUES, EXPENSES AND TAXES FOR THE
YEARS ENDED DECEMBER 31st 1917 AND 1916

OPERATING EXPENSES — Continued		1917	1916
Power:			
Superintendence	\$9,701.94	\$9,844.30	
Main Power House Building.....	1,966.86	3,491.02	
Sub-Station No. 1 Building.....	226.06	157.12	
Main Power House Equipment.....	39,958.61	29,321.79	
Sub-Station No. 1 Equipment.....	135.00	132.01	
Sub-Station No. 2 Equipment.....	362.92	420.01	
Sub-Station No. 3 Equipment.....	637.37	219.57	
Transmission System .....	.....	.....
Depreciation of Power Plant Buildings and Equipment.....	35,677.92	35,677.92	
Wages Main Power House Employees.....	113,953.18	80,907.74	
Fuel for Main Power House.....	326,310.62	172,389.48	
Water for Main Power House.....	7,288.62	6,139.31	
Lubricants for Main Power House.....	1,366.74	1,359.68	
Miscellaneous Supplies and Expenses M.P.H.....	7,014.53	5,941.79	
Wages Sub-Station No. 1 Employees.....	8,732.80	5,989.18	
Supplies and Expenses Sub-Station No. 1.....	685.03	605.36	
Wages Sub-Station No. 2 Employees.....	5,649.69	5,121.00	
Supplies and Expenses Sub-Station No. 2.....	601.47	345.02	
Wages Sub-Station No. 3 Employees.....	6,328.80	5,867.89	
Supplies and Expenses Sub-Station No. 3.....	492.15	320.32	
Power Purchased .....	.....	.....
Power Exchanged—Balance	3,780.00	156.00	
Other Operations—Credit	86,491.53	88,108.41	
TOTAL	\$476,818.78	\$275,986.10	
Transportation Expenses:			
Superintendence	\$52,052.76	\$52,750.45	
Wages Passenger Motormen.....	115,183.73	112,229.48	
Wages Passenger Conductors.....	88,079.49	80,611.16	
Wages Passenger Trainmen.....	181,254.10	158,735.43	
Wages other Car Service Employees.....	32,226.21	31,862.08	
Train Supplies and Expenses.....	13,362.09	19,492.85	
Wages Station Employees.....	202,890.22	166,289.57	
Station Supplies and Expenses.....	18,004.89	18,861.31	
Wages Car House Employees.....	77,042.59	66,089.16	
Car House Supplies and Expenses.....	5,544.86	4,611.66	
Operating Signal and Interlocking System.....	51,869.04	46,529.33	
Operating Telephone System.....	4,216.53	3,895.91	
Other Transportation Expenses.....	304.52	4,322.52	
Joint Operation of Trains—Debit.....	4,112.89	4,141.09	
Joint Operation of Trains—Credit.....	103,806.08	90,868.16	
TOTAL	\$742,337.84	\$679,463.84	
Traffic Expenses:			
Superintendence and Solicitation.....	\$1,020.00	\$980.00	
Advertising	1,314.85	2,327.67	
TOTAL	\$2,334.85	\$3,307.67	
General Expenses:			
Salaries and Expenses General Officers.....	\$43,221.58	\$38,549.74	
Salaries and Expenses General Office Clerks.....	43,625.96	45,544.09	
General Office Supplies and Expenses.....	594.18	529.06	
General Law Expenses.....	12,664.22	11,185.77	
Stationery and Printing.....	17,044.00	5,445.45	
Store Expenses	12,262.42	12,301.02	
Insurance	15,264.10	5,167.20	
Injuries and Damages.....	13,964.25	12,945.56	
Law Expenses in connection with Damages.....	1,215.55	1,618.45	
Contributions to Employees' Benefit Fund.....	2,231.55	2,427.30	
Premiums Paid on Life Insurance Policies for Employees.....	7,200.33	2,632.39	
Miscellaneous General Expenses.....	37,283.51	40,365.73	
Undistributed Adjustments—balance .....	.....	2,076.20
TOTAL	\$206,571.65	\$176,635.56	
TOTAL RAILROAD OPERATING EXPENSES.....	\$1,911,465.71	\$1,622,633.49	
NET RAILROAD OPERATING REVENUE.....	\$2,515,539.87	\$2,462,214.37	
TAXES ON RAILROAD OPERATING PROPERTIES.....	308,438.25	293,610.26	
OPERATING INCOME.....	\$2,207,101.62	\$2,168,604.11	
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES.....	43.18%	39.72%	
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES.....	50.14%	46.91%	

EXHIBIT No. 7

**RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st 1917
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1916**

MONTHS	Passengers Carried	OPERATING REVENUES						
		Passenger Revenue	Advertising	Other Car and Station Privileges	Sale of Power	Miscellaneous Revenue other than Transportation	Miscellaneous Transportation Revenue	Total Operating Revenue
January 1917....	6,249,658	\$361,231.90	\$9,623.07	\$7,135.02	\$1,789.53	\$6,508.44	\$773.70	\$387,061.66
February "	5,553,067	320,593.87	9,545.66	7,043.87	1,766.82	6,416.53	686.50	346,053.25
March "	6,241,622	360,665.02	10,779.79	8,185.53	1,714.33	6,612.86	823.72	388,781.25
April "	6,016,343	345,792.32	9,205.70	6,761.99	1,692.80	6,064.53	722.60	370,239.94
May "	5,972,309	341,860.85	9,619.13	6,530.82	1,748.47	6,052.39	770.30	366,581.96
June "	5,671,371	323,613.85	10,019.94	6,841.55	1,737.08	5,679.10	736.80	348,628.32
July "	5,464,184	308,298.29	9,917.96	6,157.62	1,686.11	5,613.95	740.70	332,414.63
August "	5,438,618	308,031.92	9,429.99	6,007.37	1,621.06	5,995.13	765.00	331,850.47
September "	5,720,758	326,847.60	10,031.83	6,580.19	1,690.24	6,217.72	735.60	352,103.18
October "	6,349,935	364,652.68	9,998.14	6,388.07	1,661.96	6,988.40	3,811.20	393,500.45
November "	6,177,658	353,554.68	10,250.18	6,666.06	1,712.23	7,676.61	2,249.30	382,109.06
December "	6,901,646	395,292.44	11,078.76	8,339.37	1,765.15	8,995.99	2,209.70	427,681.41
Totals year ended December 31st 1917	71,757,169	\$4,110,435.42	\$119,500.15	\$82,637.46	\$20,585.78	\$78,821.65	\$15,025.12	\$4,427,005.58
Totals year ended December 31st 1916	66,183,630	\$3,822,577.54	\$112,572.15	\$73,608.32	\$20,689.32	\$42,970.93	\$12,429.60	\$4,084,847.86
Increase	5,573,539	\$287,857.88	\$6,928.00	\$9,029.14		\$35,850.72	\$2,595.52	\$342,157.72
PerCent. of Increase	8.4%	7.5%	6.2%	12.3%		83.4%	20.9%	8.4%
Decrease					\$103.54			
PerCent. of Decrease					0.5%			

EXHIBIT No. 8
RAILROAD OPERATING EXPENSES, BY MONTHS FOR YEAR ENDED DECEMBER 31st 1917
AND TOTALS FOR YEAR ENDED DECEMBER 31st 1916

MONTHS	OPERATING EXPENSES (Including Depreciation)							Net Operating Revenue	Ratio of Operating Expenses to Operating Revenue
	Maintenance of Way and Structures	Maintenance of Equipment	Power	Transportation Expenses	Traffic Expenses	General Expenses	Total Operating Expenses		
January 1917 . . .	\$23,951.01	\$13,704.64	\$34,251.18	\$61,336.80	\$115.00	\$16,112.98	\$149,471.61	\$237,590.05	38.62%
February " . . .	24,669.58	14,832.07	34,504.47	56,619.58	115.00	15,591.05	146,331.75	199,721.50	42.28%
March " . . .	26,247.71	15,501.02	30,827.36	63,188.82	130.00	18,937.75	154,832.66	233,948.59	39.82%
April " . . .	22,264.90	17,411.26	33,742.08	60,070.82	341.25	18,178.92	152,009.23	218,230.71	41.06%
May " . . .	26,590.71	17,147.30	34,615.36	62,026.89	490.00	18,261.22	159,131.48	207,450.48	43.41%
June " . . .	26,007.20	18,644.54	35,025.60	59,362.52	241.00	19,678.02	158,958.88	189,669.44	45.59%
July " . . .	23,176.03	14,090.83	37,583.99	59,888.78	240.00	15,515.51	150,495.14	181,919.49	45.27%
August " . . .	23,411.13	13,803.09	40,699.81	61,607.69	115.00	16,306.90	155,943.62	175,906.85	46.99%
September " . . .	23,105.36	13,378.86	40,884.72	59,098.45	137.00	15,101.67	151,706.06	200,397.12	43.08%
October " . . .	24,552.91	17,892.52	46,001.02	65,437.75	115.00	16,059.54	170,058.74	223,441.71	43.22%
November " . . .	25,771.04	16,978.40	49,002.14	65,738.08	180.60	16,994.53	174,664.79	207,444.27	45.71%
December " . . .	23,420.75	16,849.73	59,681.05	67,961.66	115.00	19,833.56	187,861.75	239,819.66	43.92%
Totals year ended December 31st 1917	\$293,168.33	\$190,234.26	\$476,818.78	\$742,337.84	\$2,334.85	\$206,571.65	\$1,911,465.71	\$2,515,539.87	43.18%
Totals year ended December 31st 1916	\$268,060.80	\$219,179.52	\$275,986.10	\$679,463.84	\$3,307.67	\$176,635.56	\$1,622,633.49	\$2,462,214.37	39.72%
Increase	\$25,107.53		\$200,832.68	\$62,874.00		\$29,936.09	\$288,832.22	\$53,325.50	3.46%
Per Cent. of Increase	9.4%		72.8%	9.3%		16.9%	17.8%	2.2%	8.7%
Decrease		\$28,945.26			\$972.82				
Per Cent. of Decrease		13.2%			29.4%				

EXHIBIT No. 9

TRAFFIC STATISTICS FOR YEARS ENDED DECEMBER 31st 1917 AND 1916

	1917	1916
MILES OF ROAD OPERATED	8.50	8.50
NUMBER OF REVENUE CAR MILES OPERATED	8,315,488	8,140,656
PASSENGER REVENUE.....	\$4,110,435.42	\$3,822,577.54
MISCELLANEOUS RAILROAD REVENUE.....	316,570.16	262,270.32
GROSS RAILROAD OPERATING REVENUE.....	\$4,427,005.58	\$4,084,847.86
OPERATING EXPENSES (Excluding Taxes).....	1,911,465.71	1,622,633.49
NET RAILROAD OPERATING REVENUE.....	\$2,515,539.87	\$2,462,214.37
Passenger Traffic:		
Number of Passengers Carried.....	71,757,169	66,183,630
Number of Passengers Carried per Mile of Road.....	8,442,020	7,786,309
Number of Passengers per Revenue Car Mile.....	8.63	8.13
Revenues and Operating Expenses:		
Passenger Revenue per Mile of Road.....	\$483,698.28	\$449,715.00
Gross Railroad Operating Revenue per Mile of Road.....	520,824.18	480,570.34
Operating Expenses (Excluding Taxes) per Mile of Road.....	224,878.32	190,898.06
Net Railroad Operating Revenue per Mile of Road.....	295,945.86	289,672.28
Passenger Revenue per Revenue Car Mile.....	\$0.4943	\$0.4696
Gross Railroad Operating Revenue per Revenue Car Mile.....	0.5324	0.5018
Operating Expenses (Excluding Taxes) per Revenue Car Mile....	0.2299	0.1993
Net Railroad Operating Revenue per Revenue Car Mile.....	0.3025	0.3025
Passenger Revenue per Passenger.....	\$0.0573	\$0.0578
Gross Railroad Operating Revenue per Passenger.....	0.0617	0.0617
Operating Expenses (Excluding Taxes) per Passenger.....	0.0266	0.0245
Net Railroad Operating Revenue per Passenger.....	0.0351	0.0372

EXHIBIT No. 10
MILEAGE OPERATED DURING 1917

MILES OF TRACK

IN NEW YORK:

Main Lines	6.317	
Sidings and Crossovers.....	<u>.774</u>	
Total Track in New York.....		7.091

IN NEW JERSEY:

Main Lines	10.694	
Sidings and Crossovers.....	.335	
Car Yard and approach.....	<u>1.908</u>	
Total Track in New Jersey.....		12.937
Total Mileage all Tracks.....		<u><u>20.028</u></u>

MILES OF ROAD:

In New York.....	3.15	
In New Jersey.....	<u>5.35</u>	
Total Miles of Road.....		<u><u>8.50</u></u>

EXHIBIT No. 11

DESCRIPTION OF CAR EQUIPMENT

Steel Passenger Cars with Motors.....	226
Steel Derrick Car with Motor.....	1
Flat Cars	4

DIMENSIONS OF PASSENGER CARS

Length over all.....	48 feet 0 inches
Width over all.....	8 " 11 $\frac{3}{16}$ "
Height over all.....	12 " 0 "
Seating Capacity	44 persons

EXHIBIT No. 12

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT

	CAPACITY
4 Turbo Units A. C.....	18,000 K. W.
9 Water Tube Boilers	} 8,100 H. P.
9 Superheaters.....	
9 Economizers.....	
11 Rotary Converters	16,500 K. W.
33 Transformers	18,150 K. W.
Transmission Cables	11,000 Volt A. C.
Distribution Cables	625 Volt D. C.

EXHIBIT No. 13

HUDSON TERMINAL BUILDINGS REVENUES, EXPENSES AND TAXES FOR
THE YEARS ENDED DECEMBER 31st 1917 AND 1916

1916		1917	
		OPERATING REVENUES:	
\$1,674,459.47	GROSS RENTALS.....	\$1,685,289.68	
49,827.63	MISCELLANEOUS REVENUES	58,048.82	
\$1,724,287.10		\$1,743,338.50	
16,324.97	Less Assumed Leases in other Buildings.	16,115.82	
\$1,707,962.13	NET TOTAL OPERATING REVENUES	\$1,727,222.68	
	OPERATING EXPENSES:		
\$94,509.53	Maintenance of Structures and Plant.....	\$75,760.35	
331,747.75	Expenses of Operation.....	377,115.71	
88,231.68	General Expenses	111,816.18	
\$514,488.96		\$564,692.24	
36,864.00	Depreciation of Buildings and Plant.....	36,864.00	
551,352.96	TOTAL OPERATING EXPENSES	601,556.24	
\$1,156,609.17	NET OPERATING REVENUE	\$1,125,666.44	
256,233.12	TAXES	248,889.82	
\$900,376.05	NET INCOME FROM HUDSON TERMINAL BUILDINGS	\$876,776.62	
32.28%	Ratio of Operating Expenses to Net Total Operating Revenues.	34.83%	

HUDSON AND MANHATTAN RAILROAD COMPANY

TENTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1918

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HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON AND MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

WILBUR C. FISK, Newfoundland, N. J., Chairman

WILLIAM M. BARNUM	- -	Scarsdale, N. Y.	WALTER G. OAKMAN	- -	New York City
LEWIS L. CLARKE	- -	New York City	JOHN W. PLATTEN	- -	New York City
JEROME J. HANAUER	-	White Plains, N. Y.	OREN ROOT	- - -	New York City
ALEXANDER J. HEMPHILL	-	New York City	ALBERT H. WIGGIN	- -	New York City
FREDERIC B. JENNINGS	- -	New York City	WILLIAM H. WILLIAMS	- -	Plainfield, N. J.

GENERAL OFFICERS

OREN ROOT	- - - -	President	ROBERT B. KAY	-	Secretary and Treasurer
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GENERAL COUNSEL

STETSON, JENNINGS & RUSSELL
15 Broad Street, New York City

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

HARVEY FISK & SONS, 32 Nassau Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK CITY

HUDSON AND MANHATTAN RAILROAD COMPANY

New York, October 1, 1919.

To the Stockholders and Bondholders of the

HUDSON AND MANHATTAN RAILROAD COMPANY:

Your Board of Directors submits the following report for the year ended December 31, 1918.

Condensed Statement of Income

	12 Months Ended December 31st, 1918
Income from lease of railroad and Hudson Terminal Buildings, "Standard Return" payable by United States Railroad Administration	\$3,003,362.77
Income from outside real estate	\$52,865.40
Operating expenses and taxes on outside real estate	32,025.66
Net income from outside real estate	\$20,839.74
Total income from operations	\$3,024,202.51
Corporate operating expenses	25,387.06
Net income from operation	\$2,998,815.45
Non-operating income	94,265.33
Gross income applicable to fixed charges	\$3,093,080.78
Income deductions other than bond interest	260,948.55
Net income applicable to bond interest	\$2,832,132.23
Interest on N. Y. & J. 5's, First Mortgage 4½'s, and First Lien and Refunding 5's	2,168,535.01
Balance of income after payment of all fixed charges	\$663,597.22
Appropriations to reserve for contingencies	660,000.00
	\$3,597.22
Less revenues and expenses applicable to the period prior to January 1st, 1918, settled for account of the corporation by the United States Railroad Administration	1,192.91
	\$2,404.31
Balance carried forward from prior period	53,206.06
	\$55,610.37
Less provision for items of expense prior to January 1, 1918	14,000.00
Balance to carry forward to subsequent period	\$41,610.37

In the annual report for the year 1917 you were advised that in pursuance of the Proclamation of the President, the Director General of Railroads on December 28th, 1917, assumed possession and control of your Company's property, which control continued during the year 1918 and up to the date of the writing of this report. An Act of Congress "to provide for the operation of transportation systems while under Federal Control, for the just compensation of their owners and for other purposes," was approved March 21st, 1918. Under the authority of this Act, an Agreement dated June 4, 1919, after many conferences, was entered into with the Director General of Railroads, wherein the United States Government agrees to pay to your Company an aggregate annual compensation of \$3,003,362.77. The Director General took over the Hudson Terminal Buildings, Nos. 30 and 50 Church Street, as part of the railway property, and the annual compensation is based upon the average annual operating income of these properties for three years ended June 30th, 1917. So far, no cash settlement has been effected under the contract with the Director General, except advances to meet corporate expenses and fixed charges, but it is hoped that such a settlement may be reached at an early date. In the contract, the United States Government reserves to itself the right to deduct from the Company's compensation the cost of additions and betterments made by it to the property of the Company. During the year 1918 such capital expenditures amounted to \$195,195.41.

For the five months ended May 31st, 1918, both the Corporate transactions and the financial results of Federal operations were recorded in the same books, but the process of separation of accounts was made retroactive, and from the Corporate books were eliminated all transactions relating to Federal operations subsequent to January 1st, 1918. The Federal books have been opened to the Company's Auditors, who have also reviewed the separation of accounts above referred to. The Director General has furnished the Company with monthly operating reports. Up to June 15th, 1918, the Corporate officers continued to operate the properties, but subsequent to that date there was a complete separation of the operating and accounting personnel. The Company's Balance Sheet, Income Account, and various other statements of account are attached hereto, together with statements and statistics showing the results of operation of the properties by the United States Government.

For many years there has existed an agreement between your Company and the Pennsylvania Railroad Company for the joint operation of trains between Hudson Terminal, New York, and Newark, New Jersey. Under this agreement, there is a provision apportioning the revenues and expenses as between the two companies. During the latter part of 1918, the Director General modified for the period of Federal control that portion of this agreement affecting the division of revenue, whereby on the basis of the volume of traffic obtaining in 1918 the Hudson & Manhattan Railroad (Federal Administration) received an additional revenue during the last six months of the year approximating \$30,000 a month in excess of the amount it would have received under the terms of the Agreement. The provision is still in effect and the result of the modification is shown in the attached statements. The Hudson and Manhattan Railroad Company, however, has not been benefited by this modification of the existing contract.

The operating expenses in 1918 show substantial increases over 1917, principally due to the increases in wages by the Federal Administration and increased cost of supplies, especially coal. The effect of the wage increase may be summarized as follows:

						No. Employees	
						Railroad	Compensation
1917	-	-	-	-	-	1431	\$1,265,378
1918	-	-	-	-	-	1560	\$1,801,828
Increase 1918 over 1917						129	\$536,450
Per cent. increase						9%	42.3%

At a meeting of the Board of Directors on September 18th, 1919, Mr. Wilbur C. Fisk resigned as President, and was elected Chairman of the Board. Mr. Oren Root was elected President.

The certificate of Messrs. Patterson, Teele & Dennis, independent Accountants and Auditors, covering the corporation Balance Sheet and Income Account, is attached.

By order of the Board of Directors.

OREN ROOT,
President.

PATTERSON, TEELE AND DENNIS
ACCOUNTANTS AND AUDITORS
NEW YORK AND
BOSTON

120 BROADWAY, NEW YORK, OCTOBER 7, 1919.

To the Stockholders and Bondholders of

HUDSON AND MANHATTAN RAILROAD COMPANY:

We have examined and verified the books and accounts of the corporation as distinguished from the books of the United States Railroad Administration for the calendar year 1918 and have prepared from the former certain financial statements published herewith as follows:

Balance sheet as at December 31, 1918—Exhibit 1.

Corporate income account for the year ended December 31, 1918—Exhibit 2.

Statement of balance of income account for the year ended December 31, 1918—Exhibit 5.

We hereby certify, subject to a final adjustment of Federal income tax, that the said balance sheet and corporate income statements fairly set forth the financial condition of the company as at December 31, 1918, and the income results for the calendar year ended on that date.

PATTERSON, TEELE & DENNIS,
Accountants and Auditors.

EXHIBIT No. 1
CONDENSED COMPARATIVE BALANCE SHEET

ASSETS	1918	1917	INCREASE	DECREASE
Property accounts.....	\$120,949,684.28	\$120,754,488.87	\$195,195.41	
Less reserve for amortization.....	1,636,358.43	1,418,197.99	218,160.44	
	\$119,313,325.85	\$119,336,290.88		\$22,965.03
Investments—Entire capital stock of Tunnel Advertising Company.....	1,000.00	1,000.00		
Proceeds of sales of properties released from the lien of mortgages and deposited with trustees.....	111,070.70	111,070.70		
*Amortization and depreciation funds—see note below.....	1,405,458.59	1,135,185.09	270,273.50	
Bond discount and expense in process of amortization.....	3,615,478.62	3,668,625.00		53,146.38
	\$124,446,333.76	\$124,252,171.67	\$194,162.09	
WORKING ASSETS:				
Current cash account.....	\$13,283.97	\$829,925.84		\$816,641.87
Cash deposited to pay matured coupons.....	480,345.00	25,760.63	\$454,584.37	
U. S. Government Liberty Loan bonds.....	400,000.00	250,000.00	150,000.00	
Current accounts receivable.....	74,768.78	208,935.05		134,166.27
Deposits with public departments.....	14,185.66	14,185.66		
Prepaid insurance, taxes, etc.....	21,868.34	51,386.98		29,518.64
Material and supplies.....		555,416.98		555,416.98
Accounts in suspense.....		461.57		461.57
**Due from United States Railroad Administration—Net—Subject to interest adjustment—also see note.....	1,889,034.36		1,889,034.36	
***Total working assets—see note below.....	\$2,893,486.11	\$1,936,072.71	\$957,413.40	
	\$127,339,819.87	\$126,188,244.38	\$1,151,575.49	

***Condition of Amortization and Depreciation Funds at Dec. 31, 1918:**

	PAR VALUE	BOOK VALUE
H. & M. R. R. Co.—First lien and refunding 5% mortgage bonds....par	\$1,103,529.04 carried at cost	\$892,995.63
Other securities.....par	365,000.00 carried at cost	363,575.00
Cash.....	4,647.03	4,647.03
Accrued interest receivable.....	27,199.32	27,199.32
Amount of funds accrued not yet deposited, per contra.....	117,041.61	117,041.61
	<u>\$1,617,417.00</u>	<u>\$1,405,458.59</u>

**This account also contains the charges made against the Company by United States Railroad Administration for expenditures for property account in the amount of \$195,195.41 This amount is subject to approval and acceptance by the Company under the terms of the contract.

***The Company's treasury is entitled to reimbursement, through the issue of additional bonds, for capital expenditures in the amount of \$1,313,807.11 made from working capital.

EXHIBIT No. 1

AS OF DECEMBER 31st, 1918, AND DECEMBER 31st, 1917

LIABILITIES AND CAPITAL	1918	1917	INCREASE	DECREASE
Common capital stock and scrip	\$39,994,890.00	\$39,994,890.00		
Preferred capital stock and scrip	5,242,151.25	5,242,151.25		
Stocks held in reserve to redeem outstanding securities of predecessor companies	12,908.75	12,908.75		
New York & Jersey Railroad Company 5% mortgage bonds	5,000,000.00	5,000,000.00		
†First mortgage 4½% bonds—see note below	944,000.00	944,000.00		
First lien and refunding 5% mortgage bonds	37,521,233.66	37,521,233.66		
Adjustment income mortgage bonds	33,102,000.00	33,102,000.00		
Real estate mortgages	888,000.00	927,000.00		\$39,000.00
Car purchase obligations payable in installments to 1921	272,000.00	456,000.00		184,000.00
Readjustment reserve—Contributed under the readjustment of February, 1913	601,359.47	601,359.47		
††Reserve for contingencies—see note below	1,735,000.00	1,075,000.00	\$660,000.00	
	\$125,313,543.13	\$124,876,543.13	\$437,000.00	
WORKING LIABILITIES:				
Bank loan 5%	\$110,000.00		\$110,000.00	
Bills payable—Purchase 4th Liberty Loan bonds	150,000.00		150,000.00	
Current accounts payable	48,989.32	\$165,012.76		\$116,023.44
Amount due amortization and depreciation funds	117,041.61		117,041.61	
Matured interest	487,063.13	25,760.63	461,302.50	
Accrued interest	919,943.96	922,502.97		2,559.01
Rentals received in advance		827.50		827.50
Reserve to protect stock material values	99,738.18	103,066.30		3,328.12
Other reserves	51,890.17	41,325.03	10,565.14	
Balance of net income, as per Exhibit 5	41,610.37	53,206.06		11,595.69
Total working liabilities	\$2,026,276.74	\$1,311,701.25	\$714,575.49	
	\$127,339,819.87	\$126,188,244.38	\$1,151,575.49	

†The balance of the issue of old 4½% bonds (\$66,204,000.00) is deposited with the trustees of the first lien and refunding mortgage and adjustment income mortgage in accordance with the terms thereof.

††The account "Reserve for contingencies" consists of appropriations of income made by the Board of Directors as special reserves created under the terms of the adjustment income mortgage, "to secure the proper, safe and adequate maintenance, equipment, and operation of tunnels, lines of railroad and other properties of the company or to preserve its earning capacity."

EXHIBIT No. 2

CORPORATE INCOME ACCOUNT, YEAR ENDED, DECEMBER 31st, 1918

INCOME FROM LEASE OF ROAD AND HUDSON TERMINAL BUILDINGS—"STANDARD RETURN" PAYABLE BY UNITED STATES RAILROAD ADMINISTRATION	\$3,003,362.77	
GROSS RENTALS FROM OUTSIDE REAL ESTATE	52,865.40	\$3,056,228.17
OPERATING EXPENSES OF OUTSIDE REAL ESTATE	\$11,446.46	
TAXES ON OUTSIDE REAL ESTATE	20,579.20	32,025.66
OPERATING EXPENSES—GENERAL:		\$3,024,202.51
Salaries and expenses of general officers and clerks	\$12,941.92	
General office supplies and expenses	768.96	
Stationery and printing	321.85	
Miscellaneous general expenses	8,820.82	
General law expenses	2,533.51	25,387.06
NON-OPERATING INCOME:		\$2,998,815.45
Interest earned on securities in amortization and depreciation funds—per contra below	\$69,630.74	
*Miscellaneous interest	24,629.83	
Miscellaneous income	4.76	94,265.33
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:		\$3,093,080.78
Rent of track and terminal privileges	\$61,151.66	
Interest on car purchase agreements	17,466.66	
Interest on real estate mortgages	43,794.80	
Interest on unfunded debt	2,667.38	
Interest paid into amortization and depreciation funds—per contra above	69,630.74	
Amortization of debt discount and expense	39,795.12	
Federal income tax assumed for bondholders	25,200.00	
Miscellaneous debits to income	1,242.19	260,948.55
BOND INTEREST:		\$2,832,132.23
New York & Jersey 5s	\$250,000.00	
First Mortgage 4½s	42,480.00	
First Lien and Refunding 5s	1,876,055.01	2,168,535.01
BALANCE OF INCOME AFTER PAYMENT OF ALL FIXED CHARGES		\$663,597.22
APPROPRIATION TO RESERVE FOR CONTINGENCIES		660,000.00
*BALANCE OF NET INCOME FOR THE PERIOD		\$3,597.22

*Subject to adjustment of interest with United States Railroad Administration.

EXHIBIT No. 3

FEDERAL INCOME ACCOUNT

Showing result of operation of the property by the Director General of Railroads
Year ended December 31st, 1918

*GROSS REVENUE—PASSENGER FARES		\$4,715,119.60
MISCELLANEOUS REVENUE FROM RAILROAD OPERATION:		
Advertising	\$149,708.27	
Other car and station privileges	101,086.82	
Rent of buildings and other property	24,000.00	
Power	19,145.93	
Miscellaneous transportation revenue	8,812.50	
Other miscellaneous revenue	60,549.18	
TOTAL MISCELLANEOUS REVENUE		363,302.70
TOTAL RAILROAD REVENUE		\$5,078,422.30
OPERATING EXPENSES OF RAILROAD:		
Maintenance of way and structures	\$392,986.28	
Maintenance of equipment	266,574.19	
Power	729,074.20	
Transportation expenses	995,490.11	
Traffic expenses	715.18	
General expenses	180,802.40	
TOTAL OPERATING EXPENSES OF RAILROAD		2,565,642.36
NET OPERATING REVENUE FROM RAILROAD		\$2,512,779.94
TAXES ON RAILROAD OPERATING PROPERTIES		342,767.26
NET INCOME FROM RAILROAD OPERATION		\$2,170,012.68
NET INCOME FROM HUDSON TERMINAL BUILDINGS		804,663.77
TOTAL NET INCOME FROM ALL OPERATING SOURCES		\$2,974,676.45
NON-OPERATING INCOME		18,640.28
GROSS INCOME		\$2,993,316.73
INCOME DEDUCTIONS		18,329.03
BALANCE OF INCOME		\$2,974,987.70

NOTE:—

Rental due Hudson & Manhattan R. R. Co. (Standard Return)	\$3,003,362.77
Interest due Hudson & Manhattan Railroad Co., subject to adjustment	16,044.18

Total	\$3,019,406.95
Balance of net income of the U. S. Railroad Administration for the year, as shown above	2,974,987.70

Amount by which the United States Railroad Administration failed to earn the Standard Return plus the interest stated above	\$44,419.25
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The U. S. Railroad Administration income, as stated above, includes an arbitrary allocation of revenue by the Director General of Railroads to the Federal Administration of H. & M. Railroad (in excess of the normal proportion of joint revenue accruing under the existing contract with the Pennsylvania Railroad Co.) in the amount of	183,588.37
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If the above arbitrary allocation of revenue were not included, the U. S. Railroad Administration would have failed to earn the Standard Return and interest by a total of	\$228,007.62
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EXHIBIT No. 4

CORPORATE AND FEDERAL COMBINED INCOME ACCOUNTS
YEAR ENDED DECEMBER 31st, 1918, COMPARED WITH PREVIOUS YEAR
(This combined income account is submitted for the purpose of comparison with previous year.)

	United States Railroad Administration and Corporate combined 1918	Corporation 1917	INCREASE		DECREASE	
			Amount	Per cent.	Amount	Per cent.
RAILROAD REVENUES:						
*Passenger fares.....	\$4,715,119.60	\$4,110,435.42	\$604,684.18	14.71		
Advertising.....	149,708.27	119,500.15	30,208.12	25.28		
Other car and station privileges.....	101,086.82	82,637.46	18,449.36	22.32		
Rent of buildings and other property.....	24,000.00	24,000.00				
Power.....	19,145.93	20,585.78			\$1,439.85	6.99
Miscellaneous transportation revenue.....	8,812.50	15,025.12			6,212.62	41.35
Other miscellaneous revenue.....	60,549.18	54,821.65	5,727.53	10.45		
TOTAL RAILWAY REVENUE.....	\$5,078,422.30	\$4,427,005.58	\$651,416.72	14.71		
OPERATING EXPENSES:						
Maintenance of way and structures.....	\$392,986.28	\$293,168.33	\$99,817.95	34.05		
Maintenance of equipment.....	266,574.19	190,234.26	76,339.93	40.13		
Power.....	729,074.20	476,818.78	252,255.42	52.90		
Transportation expenses.....	995,490.11	742,337.84	253,152.27	34.10		
Traffic expenses.....	715.18	2,334.85			\$1,619.67	69.37
General expenses:						
R. R. Administration.....	\$180,802.40					
Corporation.....	15,902.55					
	196,704.95	206,571.65			9,866.70	4.78
TOTAL RAILROAD OPERATING EXPENSES.....	\$2,581,544.91	\$1,911,465.71	\$670,079.20	35.05		
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,496,877.39	\$2,515,539.87			\$18,662.48	.74
TAXES ON RAILROAD OPERATING PROPERTIES.....	342,767.26	308,438.25	\$34,329.01	11.13		
NET INCOME FROM RAILROAD OPERATIONS.....	\$2,154,110.13	\$2,207,101.62			\$52,991.49	2.40
NET INCOME FROM HUDSON TERMINAL BUILDINGS (Exhibit 15).....	795,179.26	876,776.62			81,597.36	9.31
NET INCOME FROM OTHER REAL ESTATE.....	20,839.74	Dr. 26,703.23	\$47,542.97	178.04		
TOTAL NET INCOME FROM ALL OPERATING SOURCES.....	\$2,970,129.13	\$3,057,175.01			\$87,045.88	2.85
NON-OPERATING INCOME.....	96,861.43	78,012.96	\$18,848.47	24.16		
GROSS INCOME.....	\$3,066,990.56	\$3,135,187.97			\$68,197.41	2.17
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:						
Interest on car purchase agreements.....	\$17,466.66	\$26,666.66			\$9,200.00	34.50
Interest on real estate mortgages.....	43,794.80	47,565.54			3,770.74	7.93
Rental tracks, yards and terminals.....	79,480.69	76,280.99	\$3,193.70	4.19		
Amortization of debt discount and expense.....	39,795.12	39,795.12				
Miscellaneous deductions.....	98,740.31	90,493.00	8,247.31	9.11		
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$279,277.58	\$280,807.31			\$1,529.73	.54
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,787,712.98	\$2,854,380.66			\$66,667.68	2.34
Deduct bond interest on N. Y. & J. S's, First Mortgage 4½ s, and First Lien & Refunding 5's.....	2,168,535.01	2,167,533.56	\$1,001.45	.05		
	\$619,177.97	\$686,847.10			\$67,669.13	9.85
Appropriation to reserve for contingencies.....	660,000.00	685,000.00			25,000.00	3.65
+BALANCE OF NET INCOME.....	Dr. \$40,322.03	Cr. \$1,847.10			\$42,669.13	

*Includes in 1918 an arbitrary allocation of revenue to Hudson and Manhattan Railroad by the Director General of Railroads of \$183,588.37 in excess of the normal proportion of joint revenue accruing to Hudson and Manhattan Railroad under the existing contract with Pennsylvania Railroad Company.

†If the above arbitrary were not included the combined deficit for 1918 would be on a normal basis of \$224,410.40 and the decrease in comparison with 1917 would be \$226,257.50.

EXHIBIT No. 5

STATEMENT OF BALANCE OF INCOME ACCOUNT FOR THE YEAR ENDED
DECEMBER 31st, 1918

Balance January 1st, 1918.....	\$53,206.06
Net income for the year ended December 31st, 1918.....	3,597.22
	<u>\$56,803.28</u>
Less revenues and expenses applicable to the period prior to January 1st, 1918, settled for account of the corporation by the United States Railroad Administration.....	1,192.91
	<u>\$55,610.37</u>
Less provision for items of expense prior to January 1, 1918.....	14,000.00
Balance to carry forward to subsequent period (Exhibit 1).....	<u>\$41,610.37</u>

EXHIBIT No. 6
BONDS OUTSTANDING DECEMBER 31st, 1918

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb.1, Aug.1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb.1, Aug.1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	*	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb.1, Aug.1	† 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*As may be earned and declared up to 5%.

†The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

EXHIBIT No. 7

EQUIPMENT OBLIGATIONS OUTSTANDING DECEMBER 31st, 1918

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALL- MENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N.Y.	A	March 1, 1909	90 Steel Passenger Motor Cars	\$1,242,220	\$1,196,220	\$ 46,000	5%	Mar. 1, Sep. 1	\$46,000	Mar. 1, Sep. 1	March 1, 1919
Guaranty Trust Co. of N.Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	662,500	562,500	100,000	5%	Apr. 1, Oct. 1	25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N.Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	384,000	126,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$2,414,720	\$2,142,720	\$272,000					

EXHIBIT No. 8
CORPORATE AND FEDERAL COMBINED RAILROAD OPERATING REVENUES, EXPENSES
AND TAXES FOR THE YEAR ENDED DECEMBER 31st, 1918, COMPARED WITH
PREVIOUS YEAR UNDER CORPORATION MANAGEMENT

OPERATING REVENUES	1918	1917	INCREASE	DECREASE
Revenue from transportation:				
*Passenger revenue.....	\$4,715,119.60	\$4,110,435.42	\$604,684.18	
Miscellaneous transportation revenue.....	8,812.50	15,025.12		\$6,212.62
TOTAL REVENUE FROM TRANSPORTATION.....	\$4,723,932.10	\$4,125,460.54	\$598,471.56	
Other railroad operating revenues:				
Advertising privileges.....	\$149,708.27	\$119,500.15	\$30,208.12	
Other car and station privileges.....	101,086.82	82,637.46	18,449.36	
Sale of power.....	19,145.93	20,585.78		\$1,439.85
Miscellaneous.....	\$84,549.18	78,821.65	5,727.53	
TOTAL REVENUE OTHER THAN TRANSPORTATION.....	\$354,490.20	\$301,545.04	\$52,945.16	
TOTAL RAILROAD OPERATING REVENUES.....	\$5,078,422.30	\$4,427,005.58	\$651,416.72	
OPERATING EXPENSES				
Maintenance of way and structures:				
Superintendence.....	\$9,812.92	\$8,466.41	\$1,346.51	
Ballast.....	1,057.19	2,830.25		\$1,773.06
Ties.....	6,110.50	5,616.50	494.00	
Rails.....	7,111.11	1,807.52	5,303.59	
Rail fastenings and joints.....	8,327.24	8,168.18	159.06	
Special work.....	1,367.26	4.63	1,362.63	
Roadway and track labor.....	49,102.92	61,652.86		12,549.94
Miscellaneous roadway and track expenses.....	1,444.23	1,356.55	87.68	
Care of track.....	28,250.91	19,539.16	8,711.75	
Removal of snow and ice.....	1,112.27	472.12	640.15	
Tunnels:				
Tunnel structure.....	7,315.83	2,021.50	5,294.33	
Concrete lining and cable ducts.....	115.79	182.29		66.50
Ventilating system.....	275.34	316.76		41.42
Drainage system.....	56,568.60	29,589.26	26,979.34	
Lighting system.....	6,933.64	5,911.93	1,021.71	
Miscellaneous expenses.....	496.03	1,077.83		581.80
Signal and interlocking system.....	57,612.48	37,405.87	20,206.61	
Telephone and emergency alarm system.....	3,429.99	2,458.00	971.99	
Miscellaneous maintenance of way expenses.....	3,624.87	2,750.09	874.78	
Distribution system:				
Feeders.....	5,960.44	5,996.30		35.86
Track bonding.....	2,289.34	1,680.31	609.03	
Contact rails.....	9,354.49	8,870.22	484.27	
Miscellaneous expenses.....		161.43		161.43
Miscellaneous electric line expenses.....	582.57	3,061.18		2,478.61
Buildings and structures:				
Car shop building.....	15,122.60	3,770.63	11,351.97	
Station waiting rooms.....	61,991.25	30,283.55	31,707.70	
Miscellaneous buildings.....	178.43	278.96		100.53
Depreciation of way and structures.....	47,438.04	47,438.04		
TOTAL.....	\$392,986.28	\$293,168.33	\$99,817.95	
Maintenance of equipment:				
Superintendence.....	\$9,735.34	\$6,691.60	\$3,043.74	
Passenger cars.....	150,986.66	97,662.35	53,324.31	
Work cars.....	517.60	940.08		\$422.48
Electric equipment of cars.....	21,582.83	13,722.01	7,860.82	
Car shop machinery and tools.....	4,681.78	4,914.26		232.48
Car shop expenses.....	37,156.48	24,402.96	12,753.52	
Miscellaneous equipment expenses.....	12.50	12.50		
Depreciation of equipment.....	41,901.00	41,901.00		
TOTAL.....	\$266,574.19	\$190,234.26	\$76,339.93	
Power:				
Superintendence.....	\$12,261.12	\$9,701.94	\$2,559.18	
Main power house building.....	8,135.12	1,966.86	6,168.26	
Sub-station No. 1 building.....	293.07	226.06	67.01	
Main power house equipment.....	93,453.21	39,958.61	53,494.60	
Sub-station No. 1 equipment.....	37.52	135.00		\$97.48
Sub-station No. 2 equipment.....		362.92		362.92

*Includes in 1918 an arbitrary allocation of revenue to Hudson and Manhattan Railroad by the Director General of Railroads of \$183,588.37 in excess of the normal proportion of joint revenue accruing to Hudson and Manhattan Railroad under the existing contract with Pennsylvania Railroad Company.

EXHIBIT No. 8—Continued
CORPORATE AND FEDERAL COMBINED RAILROAD OPERATING REVENUES, EXPENSES
AND TAXES FOR THE YEAR ENDED DECEMBER 31st, 1918, COMPARED WITH
PREVIOUS YEAR UNDER CORPORATION MANAGEMENT

OPERATING EXPENSES—Continued	1918	1917	INCREASE	DECREASE
Power—Continued				
Sub-station No. 3 equipment.....	5.86	637.37		631.51
Depreciation of power plant buildings and equipment.....	35,677.92	35,677.92		
Wages main power house employees.....	161,601.61	113,953.18	47,648.43	
Fuel for main power house.....	445,076.50	326,310.62	118,765.88	
Water for main power house.....	7,339.70	7,288.62	51.08	
Lubricants for main power house.....	2,335.04	1,366.74	968.30	
Miscellaneous supplies and expenses M. P. H.....	7,239.76	7,014.53	225.23	
Wages sub-station No. 1 employees.....	11,597.31	8,732.80	2,864.51	
Supplies and expenses sub-station No. 1.....	425.27	685.03		259.76
Wages sub-station No. 2 employees.....	9,262.01	5,649.69	3,612.32	
Supplies and expenses sub-station No. 2.....	468.96	601.47		132.51
Wages sub-station No. 3 employees.....	9,510.28	6,328.80	3,181.48	
Supplies and expenses sub-station No. 3.....	568.12	492.15	75.97	
Power purchases:				
Power exchanged—Balance.....	Dr. 2,212.00	Cr. 3,780.00	5,992.00	
Other operations—Credit.....	Cr. 78,426.18	Cr. 86,491.53	8,065.35	
TOTAL.....	\$729,074.20	\$476,818.78	\$252,255.42	
Transportation expenses:				
Superintendence.....	\$73,046.91	\$52,052.76	\$20,994.15	
Wages passenger motormen.....	120,044.58	97,512.47	22,532.11	
Wages passenger conductors.....	92,381.18	73,896.79	18,484.39	
Wages passenger trainmen.....	175,338.01	131,938.57	43,399.44	
Wages other car service employees.....	39,603.91	32,226.21	7,377.70	
Train supplies and expenses.....	12,991.24	11,055.02	1,936.22	
Wages station employees.....	265,159.66	202,095.43	63,064.23	
Station supplies and expenses.....	22,889.57	17,957.61	4,931.96	
Wages car house employees.....	104,825.82	57,555.14	47,270.68	
Car house supplies and expenses.....	6,733.08	5,544.86	1,188.22	
Operating signal and interlocking systems.....	76,158.72	55,981.93	20,176.79	
Operating telephone system.....	5,844.72	4,216.53	1,628.19	
Other transportation expenses.....	472.71	304.52	168.19	
TOTAL.....	\$995,490.11	\$742,337.84	\$253,152.27	
Traffic expenses:				
Superintendence and solicitation.....	\$516.38	\$1,020.00		\$503.62
Advertising.....	198.80	1,314.85		1,116.05
TOTAL.....	\$715.18	\$2,334.85		\$1,619.67
General expenses:				
Salaries and expenses of general officers.....	\$48,028.83	\$43,221.58	\$4,807.25	
Salaries and expenses of general office clerks.....	54,205.83	43,625.96	10,579.87	
General office supplies and expenses.....	2,703.00	594.18	2,108.82	
General law expenses.....	9,006.34	12,664.22		\$3,657.88
Stationery and printing.....	11,280.40	17,044.00		5,763.60
Store expenses.....	14,927.26	12,262.42	2,664.84	
Insurance.....	6,007.44	15,264.10		9,256.66
Injuries and damages.....	19,018.57	13,964.25	5,054.32	
Law expenses in connection with damages.....	335.09	1,215.55		880.46
Contributions to employees' benefit fund.....	1,990.95	2,231.55		240.60
Premiums paid on life insurance policies for employees.....	6,325.34	7,200.33		874.99
Miscellaneous general expenses.....	22,875.90	37,283.51		14,407.61
TOTAL—INCLUDING IN 1918, \$15,902.55 OF CORPORATION EXPENSES.....	\$196,704.95	\$206,571.65		\$9,866.70
TOTAL RAILROAD OPERATING EXPENSES.....	\$2,581,544.91	\$1,911,465.71	\$670,079.20	
NET RAILROAD OPERATING REVENUE.....	\$2,496,877.39	\$2,515,539.87		\$18,662.48
TAXES ON RAILROAD OPERATING PROPERTIES.....	342,767.26	308,438.25	\$34,329.01	
OPERATING INCOME.....	\$2,154,110.13	\$2,207,101.62		\$52,991.49
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES.....	50.83%	43.18%		
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES.....	57.58%	50.14%		

EXHIBIT No. 9

**RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st, 1918
AND TOTALS FOR YEAR ENDED DECEMBER 31st, 1917**

Showing revenue derived from the property by the Director General of Railroads during 1918, compared with the corporation's operation for 1917

MONTHS	Passengers carried	OPERATING REVENUES						
		Passenger revenue	Advertising	Other car and station privileges	Sale of power	Miscellaneous revenue other than transportation	Miscellaneous transportation revenue	Total operating revenue
January 1918.....	6,814,301	\$386,816.17	\$11,405.39	\$6,978.24	\$1,721.92	\$10,112.95	\$712.64	\$417,747.31
February ".....	6,213,751	353,127.74	11,598.39	7,724.09	1,781.79	8,644.17	639.20	383,515.38
March ".....	7,076,795	400,928.27	11,378.76	7,883.32	1,652.17	8,467.45	707.26	431,017.23
April ".....	6,915,799	389,852.92	11,648.46	8,319.37	1,680.83	7,556.34	693.60	419,751.52
May ".....	6,956,888	391,363.85	12,194.70	8,962.93	1,671.24	6,806.00	725.40	421,724.12
June ".....	6,318,665	373,996.77	12,287.50	8,468.41	1,670.95	6,767.50	703.00	403,894.13
July ".....	6,246,060	377,880.93	12,794.22	8,795.56	1,500.00	7,333.87	712.80	409,017.38
August ".....	6,250,866	379,353.96	12,287.22	9,118.52	1,866.84	6,201.18	769.70	409,597.42
September ".....	6,455,652	394,856.63	13,336.99	8,154.50	1,668.44	5,366.79	744.30	424,127.65
October ".....	6,300,489	384,184.13	12,776.37	8,511.60	1,705.01	5,431.26	801.40	413,409.77
November ".....	6,874,488	421,689.59	13,133.17	8,897.79	1,773.41	5,684.14	776.20	451,954.30
December ".....	7,540,618	461,068.64	14,867.10	9,272.49	453.33	6,177.53	827.00	492,666.09
Totals year ended December 31st, 1918	79,964,372	*\$4,715,119.60	\$149,708.27	\$101,086.82	\$19,145.93	\$84,549.18	\$8,812.50	\$5,078,422.30
Totals year ended December 31st, 1917	71,757,169	\$4,110,435.42	\$119,500.15	\$82,637.46	\$20,585.78	\$78,821.65	\$15,025.12	\$4,427,005.58
Increase.....	8,207,203	\$604,684.18	\$30,208.12	\$18,449.36		\$5,727.53		\$651,416.72
Per cent. of increase	11.4%	14.7%	25.3%	22.3%		7.3%		14.7%
Decrease.....					\$1,439.85		\$6,212.62	
Per cent. of decrease					7.0%		41.3%	

*Includes in 1918 an arbitrary allocation of revenue to Hudson & Manhattan Railroad by the Director General of Railroads of \$183,588.37 in excess of the normal proportion of joint revenue accruing to Hudson & Manhattan Railroad under the existing contract with Pennsylvania Railroad Company.

EXHIBIT No. 10

CORPORATE AND FEDERAL COMBINED RAILROAD OPERATING EXPENSES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st, 1918, AS COMPARED WITH TOTALS FOR YEAR ENDED DECEMBER 31st, 1917, UNDER CORPORATION MANAGEMENT

MONTHS	OPERATING EXPENSES (including depreciation)							Net operating revenue	Ratio of operating expenses to operating revenue
	Maintenance of way and structures	Maintenance of equipment	Power	Transportation expenses	Traffic expenses	General expenses	Total operating expenses		
January 1918.....	\$26,683.37	\$17,611.91	\$70,054.10	\$68,337.53	\$115.00	\$18,151.77	\$200,953.68	\$216,793.63	48.10%
February ".....	28,557.87	18,113.84	58,378.01	61,710.36	90.00	16,657.62	183,507.70	200,007.68	47.85%
March ".....	28,187.63	19,878.04	58,642.05	67,316.06	140.00	16,974.14	191,137.92	239,879.31	44.35%
April ".....	24,995.43	20,434.54	50,629.58	65,159.40	115.00	18,238.73	179,572.68	240,178.84	42.78%
May ".....	24,752.53	17,254.69	47,370.80	65,284.72	133.80	15,294.78	170,091.32	251,632.80	40.33%
June ".....	36,134.22	42,233.97	67,142.43	141,761.46	121.38	20,594.18	307,987.64	95,906.49	76.25%
July ".....	29,416.04	21,739.52	53,594.56	74,682.11		16,847.02	196,279.25	212,738.13	47.99%
August ".....	28,368.00	18,069.98	58,562.62	78,536.37		15,477.64	199,014.61	210,582.81	48.59%
September ".....	28,240.48	23,093.57	58,913.34	75,918.89		14,289.72	200,456.00	223,671.65	47.26%
October ".....	33,176.40	24,389.64	62,901.42	90,715.50		15,321.72	226,504.68	186,905.09	54.78%
November ".....	58,960.44	15,384.02	71,290.17	101,868.80		13,372.82	260,876.25	191,078.05	57.72%
December ".....	45,513.87	28,370.47	71,595.12	104,198.91		15,484.81	265,163.18	227,502.91	53.82%
Totals year ended December 31st, 1918	\$392,986.28	\$266,574.19	\$729,074.20	\$995,490.11	\$715.18	*\$196,704.95	*\$2,581,544.91	\$2,496,877.39	50.83%
Totals year ended December 31st, 1917	\$293,168.33	\$190,234.26	\$476,818.78	\$742,337.84	\$2,334.85	\$206,571.65	\$1,911,465.71	\$2,515,539.87	43.18%
Increase.....	\$99,817.95	\$76,339.93	\$252,255.42	\$253,152.27			\$670,079.20		7.65%
Per cent. of increase..	34.05%	40.13%	52.90%	34.10%			35.06%		15.13%
Decrease.....					\$1,619.67	\$9,866.70		\$18,662.48	
Per cent. of decrease					69.37%	4.77%		.74%	

NOTE.—The monthly totals and ratios for 1918 are grossly distorted by the increased compensation granted to the employees by the United States Railroad Administration, in many cases retroactive both as to the original order and various modifications thereof, becoming effective in the accounts at irregular periods.

*Includes in 1918 \$15,902.55 of corporate expenses.

EXHIBIT No. 11
TRAFFIC STATISTICS FOR YEARS ENDED DECEMBER 31st, 1918 AND 1917

	United States Railroad Administration 1918	Corporation 1917	INCREASE		DECREASE	
			Amount	Per cent.	Amount	Per cent.
MILES OF ROAD OPERATED.....	8.50	8.50				
NUMBER OF REVENUE CAR MILES OPERATED	8,510,430	8,315,488	194,942	2.34%		
*PASSENGER REVENUE.....	\$4,715,119.60	\$4,110,435.42	\$604,684.18	14.71%		
MISCELLANEOUS RAILROAD REVENUE.....	363,302.70	316,570.16	46,732.54	14.76%		
GROSS RAILROAD OPERATING REVENUE.....	\$5,078,422.30	\$4,427,005.58	\$651,416.72	14.71%		
†OPERATING EXPENSES (excluding taxes)....	2,581,544.91	1,911,465.71	670,079.20	35.06%		
NET RAILROAD OPERATING REVENUE.....	\$2,496,877.39	\$2,515,539.87			\$18,662.48	00.74%
Passenger traffic:						
Number of passengers carried.....	79,964,372	71,757,169	8,207,203	11.44%		
Number of passengers carried per mile of road.....	9,407,573	8,442,020	965,553	11.44%		
Number of passengers per revenue car mile.....	9.40	8.63	.77	8.92%		
Revenues and operating expenses:						
Passenger revenue per mile of road....	\$554,719.95	\$483,698.28	\$71,021.67	14.68%		
Gross railroad operating revenue per mile of road.....	597,461.44	520,824.18	76,637.26	14.71%		
Operating expenses (excluding taxes) per mile of road.....	303,711.16	224,878.32	78,832.84	35.06%		
Net railroad operating revenue per mile of road.....	293,750.28	295,945.86			\$2,195.58	00.74%
Passenger revenue per revenue car mile.....	\$0.5540	\$0.4943	\$0.0597	12.08%		
Gross railroad operating revenue per revenue car mile.....	0.5967	0.5324	0.0643	12.08%		
Operating expenses (excluding taxes) per revenue car mile.....	0.3033	0.2299	0.0734	31.93%		
Net railroad operating revenue per revenue car mile.....	0.2934	0.3025			\$0.0091	3.01%
Passenger revenue per passenger.....	\$0.0590	\$0.0573	\$0.0017	2.97%		
Gross railroad operating revenue per passenger.....	0.0635	0.0617	0.0018	2.92%		
Operating expenses (excluding taxes) per passenger.....	0.0323	0.0266	0.0057	21.42%		
Net railroad operating revenue per passenger.....	0.0312	0.0351			\$0.0039	11.11%

*Includes in 1918 an arbitrary allocation of revenue to Hudson and Manhattan Railroad by the Director General of Railroads of \$183,588.37 in excess of the normal proportion of joint revenue accruing to Hudson and Manhattan Railroad under the existing contract with Pennsylvania Railroad Company.

†Includes in 1918 \$15,902.55 of corporate expenses.

EXHIBIT No. 12
MILEAGE OPERATED DURING 1918

MILES OF TRACK:

IN NEW YORK:

Main lines.....	6.317	
Sidings and crossovers.....	.774	
Total track in New York.....		7.091

IN NEW JERSEY:

Main lines.....	10.694	
Sidings and crossovers.....	.335	
Car yard and approach.....	1.908	
Total track in New Jersey.....		12.937
Total mileage all tracks.....		<u>20.028</u>

MILES OF ROAD:

In New York.....	3.15	
In New Jersey.....	5.35	
Total miles of road.....		<u>8.50</u>

EXHIBIT No. 13

DESCRIPTION OF CAR EQUIPMENT

Steel passenger cars with motors.....	226
Steel derrick car with motor.....	1
Flat cars.....	4

DIMENSIONS OF PASSENGER CARS:

Length over all.....	48 feet 0 inches
Width over all.....	8 " 11 $\frac{3}{8}$ "
Height over all.....	12 " 0 "
Seating capacity.....	44 persons

EXHIBIT No. 14

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT:

4 Turbo units A. C.....	CAPACITY 18,000 K. W.
*9 Water tube boilers } 9 Superheaters } 9 Economizers }	8,100 H. P.
11 Rotary converters.....	16,500 K. W.
33 Transformers.....	18,150 K. W.
Transmission cables.....	11,000 Volt A. C.
Distribution cables.....	625 Volt D. C.

*Automatic stokers were being installed under the 9 water tube boilers during 1918. At the close of 1918, 5 units had been completed and put in operation.

EXHIBIT No. 15

**CORPORATE AND FEDERAL COMBINED HUDSON TERMINAL BUILDINGS OPERATING REVENUES, EXPENSES AND TAXES
FOR THE YEAR ENDED DECEMBER 31st, 1918, COMPARED WITH PREVIOUS YEAR UNDER CORPORATION MANAGEMENT**

	1918	1917	INCREASE		DECREASE	
			Amount	Per cent.	Amount	Per cent.
OPERATING REVENUES:						
Gross rentals.....	\$1,692,023.56	\$1,685,289.68	\$6,733.88	.40%		
Miscellaneous revenues.....	54,398.74	58,048.82			\$3,650.08	6.29%
	\$1,746,422.30	\$1,743,338.50	\$3,083.80	.17%	\$10,763.31	66.79%
Less assumed leases in other buildings.....	5,352.51	16,115.82				
NET TOTAL OPERATING REVENUES	\$1,741,069.79	\$1,727,222.68	\$13,847.11	.80%		
OPERATING EXPENSES:						
Maintenance of structures and plant.....	\$94,988.45	\$75,760.35	\$19,228.10	25.38%		
Expenses of operation.....	424,777.52	377,115.71	47,661.81	12.64%		
General expenses:						
R. R. Administration.....	\$90,404.25					
*Corporation.....	9,484.51					
	99,888.76	111,816.18			\$11,927.42	11.67%
	\$619,654.73	\$564,692.24	\$54,962.49	9.73%		
Depreciation of buildings and plant.....	36,864.00	36,864.00				
TOTAL OPERATING EXPENSES	\$656,518.73	\$601,556.24	\$54,962.49	9.14%		
NET OPERATING REVENUE	\$1,084,551.06	\$1,125,666.44			\$41,115.38	3.65%
TAXES	289,371.80	248,889.82	\$40,481.98	16.26%		
NET INCOME FROM HUDSON TERMINAL BUILDINGS	\$795,179.26	\$876,776.62			\$81,597.36	9.31%
Ratio of operating expenses to net total operating revenues.....	37.71%	34.83%				

*Includes in 1918 \$9,484.51 of corporate expenses.



ELEVENTH
ANNUAL REPORT

OF

Hudson and Manhattan Railroad Company

YEAR ENDED DECEMBER 31st, 1919



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON AND MANHATTAN RAILROAD COMPANY

ELEVENTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1919

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HUDSON AND MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

WILBUR C. FISK, Newfoundland, N. J., Chairman

WILLIAM M. BARNUM	- -	Scarsdale, N. Y.	WALTER G. OAKMAN	- -	New York City
LEWIS L. CLARKE	- -	New York City	JOHN W. PLATTEN	- -	New York City
JEROME J. HANAUER	- -	New York City	OREN ROOT	- -	New York City
ALEXANDER J. HEMPHILL		Spring Lake, N. J.	ALBERT H. WIGGIN	- -	New York City
*FREDERIC B. JENNINGS	- -	New York City	WILLIAM H. WILLIAMS	- -	Plainfield, N. J.

*Deceased May 26, 1920.

GENERAL OFFICERS

OREN ROOT	- - - -	President	J. VIPOND DAVIES	- -	Chief Engineer
FLETCHER H. SILICK	- -	Comptroller	JAMES S. O'NEALE	- -	Treasurer
ROBERT B. KAY	-	Secty. and Asst. Treas.	P. COMPTON MILLER		Real Estate Agent
CARL S. KLUMPP	-	General Superintendent	HARRY W. WEBBER	-	Purchasing Agent

GENERAL COUNSEL

STETSON, JENNINGS & RUSSELL
15 Broad Street, New York City

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

HARVEY FISK & SONS, 32 Nassau Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK CITY

HUDSON AND MANHATTAN RAILROAD COMPANY

New York, June 15th, 1920

To the Stockholders and Bondholders of the

HUDSON AND MANHATTAN RAILROAD COMPANY:

Your Board of Directors submits the following report for the year ended
December 31, 1919.

Condensed Comparative Statement of Income

	12 Months Ended December 31st, 1919	12 Months Ended December 31st, 1918
Income from lease of railroad and Hudson Terminal Buildings, "Standard Return" payable by United States Railroad Ad- ministration.....	\$3,003,362.77	\$3,003,362.77
Income from outside real estate.....	\$59,336.33	\$52,865.40
Operating expenses and taxes on outside real estate.....	28,849.42	32,025.66
Net income from outside real estate.....	\$30,486.91	\$20,839.74
Total income from operations.....	\$3,033,849.68	\$3,024,202.51
Corporate operating expenses.....	76,487.85	25,387.06
Net income from operation.....	\$2,957,361.83	\$2,998,815.45
*Non-operating income.....	146,433.53	94,265.33
Gross income applicable to fixed charges.....	\$3,103,795.36	\$3,093,080.78
Income deductions other than bond interest.....	271,698.42	260,948.55
Net income applicable to bond interest.....	\$2,832,096.94	\$2,832,132.23
Interest on N. Y. & J. S's, First Mortgage 4½'s, and First Lien and Refunding 5's.....	2,168,535.00	2,168,535.01
Balance of income after payment of all fixed charges.....	\$663,561.94	\$663,597.22
Appropriations to reserve for contingencies.....	640,000.00	660,000.00
	\$23,561.94	\$3,597.22
Revenues and expenses applicable to the period prior to January 1st, 1918, settled for account of the corporation by the United States Railroad Administration.....	2,399.60	1,192.91
	\$25,961.54	\$2,404.31
Balance carried forward from prior period.....	41,610.37	53,206.06
	\$67,571.91	\$55,610.37
Other items of expense prior to January 1, 1918.....	847.18	14,000.00
Balance to carry forward to subsequent period.....	\$68,419.09	\$41,610.37

*See note on Exhibit No. 2.

The report of the Comptroller, including Balance Sheet, Income Account, and other statements of accounts and statistics, showing the financial condition of the Company, are hereinafter submitted, accompanied by an Income Account and other statements reflecting the results of operation of the properties by the Director General of Railroads.

FEDERAL CONTROL

Throughout the year 1919, and until March 1, 1920, the Director General of Railroads continued in possession of your railroad property and Hudson Terminal Buildings, all of which were operated by and for the account of the United States Railroad Administration. Under terms of the contract with the Director General of Railroads, the United States Government is obligated to pay your Company as an annual compensation or rental the sum of \$3,003,362.77. From time to time payments have been received from the Government in sufficient amounts to enable the Company to meet its current obligations, but as yet there has been no final settlement either of compensation or other matters growing out of Federal control. Since March 1, 1920, the accounting work leading to a final settlement has been actively under way, but further time will be required for the determination and agreement upon the various matters.

INCREASED FARES

The Transportation Act, 1920, approved February 28, 1920, requires the Interstate Commerce Commission to establish such rates that carriers as a whole, or in such groups as the Commission shall designate, will, under honest, efficient, and economical management, and reasonable expenditures for maintenance, earn an aggregate annual net railway operating income equal as nearly as may be a fair return upon the aggregate value of the railway properties of such carriers.

Your Company on March 1st, 1920, filed with the Interstate Commerce Commission its Local Passenger Tariff, which provided for a uniform rate of 8c. for both uptown and downtown interstate rides in lieu of the 7c. and 5c. fares for the uptown and downtown interstate rides, respectively. This tariff of increased fares was suspended by the Commission pending an investigation. The Commission, however, recognized the justice and necessity of an increase in revenues and suggested the filing of a substitute tariff providing a rate of 10c. for the uptown interstate ride and 6c. for the downtown interstate ride, and accordingly a tariff carrying these rates was filed on April 7th, 1920, and became effective on April 18th, 1920. Upon the request of certain municipalities, the Interstate Commerce Commission is now investigating the reasonableness of these rates.

GOVERNMENT GUARANTY FOR SIX MONTHS AFTER FEDERAL CONTROL

The Transportation Act, 1920, also provides that upon the acceptance by any carrier of the guaranty provisions, the net railway operating income of such carrier from March 1st, 1920, (the end of Federal control) to September 1st, 1920, shall not be less than one-half of the annual compensation

or Standard Return named in the contract between such carrier and the Director General of Railroads. Your Company accepted these provisions, and will therefore be entitled to receive from the Government such amount as may be necessary to make its net operating income for the six months' period ending September 1st, 1920, equal to \$1,501,681.38. Should the net operating income actually earned, however, exceed that amount the Company is obligated to pay such excess to the Government.

APPORTIONMENT OF JOINT REVENUES ON NEWARK LINE

During the period of Federal control the Director General of Railroads changed the apportionment of the joint revenues of the Newark Rapid Transit line, jointly operated by your Company and the Pennsylvania Railroad, so that your Company received a larger amount than that provided in the contract between the two companies. The Transportation Act, 1920, provides that the same apportionments of joint revenues which were in effect on February 29th, 1920, shall continue in force and effect until thereafter changed by State or Federal authority, respectively, or pursuant to authority of law.

POWER SUPPLY

In order to meet the increasing demands for electric power, made necessary by the rapidly increasing traffic, the Company has been facing an expenditure in excess of one million dollars for new power plant equipment and repairs to existing equipment. The Company has been without funds to meet such an expenditure, and owing to the low price at which its bonds have been selling, it has been impossible to finance these needed improvements. To meet this situation, an agreement was entered into on January 5, 1920, with the New York Edison Company, under which, for a term of years, Edison Company will take over and operate the power plant and supply electric power, either from this Company's plant or from their own plants, on a scale of charges based on varying prices of fuel. It is estimated that under this agreement your Company will obtain power at a lower cost than it can produce it, in addition to which there is relief from making the capital expenditure which would otherwise have been necessary. Under terms of the agreement your Company is assured an adequate and practically uninterrupted power supply.

HUDSON TERMINAL BUILDINGS; RENTALS

During the twenty-eight months the Hudson Terminal Buildings were operated by the United States Railroad Administration, the rentals remained practically stationary, notwithstanding a very large increase in operating expenses, for both labor and materials, resulting in a decrease of approximately \$100,000 per annum in the net earnings from the Buildings. In the same period the rentals of office buildings similar to the Hudson Terminal Buildings were adjusted to offset increasing expenses. Your management has not considered it good policy to take advantage of the abnormal conditions obtaining to exact excessive prices for office space, but in order to receive returns sufficient to meet

the large increase in cost of operation and maintenance of the Buildings, it has, since March 1, 1920, adjusted the unreasonably low prices fixed by the United States Railroad Administration to a basis more commensurate with existing conditions. These Buildings continue to be 100% rented and there is no diminution in the demand for space.

LABOR DEMANDS

In company with all other railroads, your Company has had demands made upon it by the several organizations representing the employees. Negotiation of these matters is now pending before the Railroad Labor Board, created by the Transportation Act, 1920, and it is impossible at this time to predict what effect the awards will have upon the payrolls of your Company.

On May 26th, 1920, your Board lost, through death, Mr. Frederic B. Jennings. Mr. Jennings was closely and actively associated with the Company and its predecessors from their incipency, as a Director and also as General Counsel. In his death, the Company loses an able and faithful counselor and the Board of Directors a highly esteemed associate.

By order of the Board of Directors,

OREN ROOT,
President.

NEW YORK, JUNE 15TH, 1920.

MR. OREN ROOT,
President.

DEAR SIR:

Submitted herewith will be found a Condensed Balance Sheet, Income Account and Profit and Loss Statement of Hudson and Manhattan Railroad Company, which I certify to be in conformity with the books, and to set forth correctly the financial condition of the Company to December 31st, 1919, and the results of the operations of the Company to that date.

Submitted also herewith is an Income Account showing the operations of the property by the United States Railroad Administration during the year ended December 31st, 1919, compared with the previous year, together with other operating tables and statistics, which are in conformity with the books and records kept under my supervision as Federal Auditor for the Director General of Railroads.

Very truly yours,

FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1

CONDENSED COMPARATIVE BALANCE SHEET

ASSETS	1919	1918	INCREASE	DECREASE
Property accounts.....	\$121,216,977.34	\$120,949,684.28	\$267,293.06	
Less reserve for amortization.....	1,859,011.61	1,636,358.43	222,653.18	
	\$119,357,965.73	\$119,313,325.85	\$44,639.88	
Investments—Entire capital stock of Tunnel Advertising Company.....	1,000.00	1,000.00		
Proceeds of sales of properties released from the lien of mortgages and deposited with trustees.....	65,560.70	111,070.70		\$45,510.00
*Amortization and depreciation funds—see note below.....	1,681,234.69	1,405,458.59	275,776.10	
Bond discount and expense in process of amortization.....	3,561,322.38	3,615,478.62		54,156.24
	\$124,667,083.50	\$124,446,333.76	\$220,749.74	
WORKING ASSETS:				
Current cash account.....	\$69,904.35	\$13,283.97	\$56,620.38	
Cash deposited to pay matured coupons.....	265,832.50	480,345.00		\$214,512.50
U. S. Government Liberty Loan bonds.....	302,650.00	400,000.00		97,350.00
Current accounts receivable.....	68,229.49	74,768.78		6,539.29
Deposits with public departments.....	14,185.66	14,185.66		
Prepaid insurance, taxes, etc.....	9,957.95	21,868.34		11,910.39
**Due from United States Railroad Administration—Net—Subject to interest adjustment—also see note.....	2,067,321.87	1,889,034.36	178,287.51	
***Total working assets—see note below.....	\$2,798,081.82	\$2,893,486.11		\$95,404.29
	\$127,465,165.32	\$127,339,819.87	\$125,345.45	

*Condition of Amortization and Depreciation Funds at Dec. 31, 1919:

	PAR VALUE	BOOK VALUE
H. & M. R. R. Co.—First lien and refunding 5% mortgage bonds.....par	\$1,103,529.04 carried at cost	\$892,995.63
Other securities.....par	435,000.00 carried at cost	433,987.50
Cash.....	9,137.62	9,137.62
Accrued interest receivable.....	27,429.57	27,429.57
Amount of funds accrued not yet deposited, per contra.....	317,684.37	317,684.37
	<u>\$1,892,780.60</u>	<u>\$1,681,234.69</u>

**This account also contains the charges made against the Company by United States Railroad Administration for expenditures for property account in the amount of \$442,286.06. This amount is subject to adjustment and to acceptance by the Company under the terms of the contract.

***The Company's treasury is entitled to reimbursement, through the issue of additional bonds, for capital expenditures in the amount of \$1,734,667.89 made from working capital.

EXHIBIT No. 1

AS OF DECEMBER 31st, 1919, AND DECEMBER 31st, 1918

LIABILITIES AND CAPITAL	1919	1918	INCREASE	DECREASE
Common capital stock and scrip.....	\$39,994,890.00	\$39,994,890.00		
Preferred capital stock and scrip.....	5,242,151.25	5,242,151.25		
Stocks held in reserve to redeem outstanding securities of predecessor companies.....	12,908.75	12,908.75		
New York & Jersey Railroad Company 5% mortgage bonds.....	5,000,000.00	5,000,000.00		
†First mortgage 4½% bonds—see note below.....	944,000.00	944,000.00		
First lien and refunding 5% mortgage bonds.....	37,521,233.66	37,521,233.66		
Adjustment income mortgage bonds.....	33,102,000.00	33,102,000.00		
Real estate mortgages.....	858,000.00	888,000.00		\$30,000.00
Car purchase obligations payable in installments to 1921.....	134,000.00	272,000.00		138,000.00
Readjustment reserve—Contributed under the readjustment of February, 1913.....	479,074.39	601,359.47		122,285.08
††Reserve for contingencies—see note below.....	2,375,000.00	1,735,000.00	\$640,000.00	
	\$125,663,258.05	\$125,313,543.13	\$349,714.92	
WORKING LIABILITIES:				
Bank loan 5%.....		\$110,000.00		\$110,000.00
Bills payable—Purchase 4th Liberty Loan bonds.....	\$50,000.00	150,000.00		100,000.00
Current accounts payable.....	44,693.11	48,989.32		4,296.21
Amount due amortization and depreciation funds.....	317,684.37	117,041.61	\$200,642.76	
Matured interest.....	271,742.29	487,063.13		215,320.84
Accrued interest.....	916,744.11	919,943.96		3,199.85
Accrued taxes.....	4,845.33		4,845.33	
Reserve to protect stock material values.....	103,066.30	99,738.18	3,328.12	
Other reserves.....	24,712.67	51,890.17		27,177.50
Balance of net income, as per Exhibit 5.....	68,419.09	41,610.37	26,808.72	
Total working liabilities.....	\$1,801,907.27	\$2,026,276.74		\$224,369.47
	\$127,465,165.32	\$127,339,819.87	\$125,345.45	

†The balance of the issue of 4½% bonds (\$66,204,000.00) is deposited with the trustees of the first lien and refunding mortgage and adjustment income mortgage in accordance with the terms thereof.

††The account "Reserve for contingencies" consists of appropriations of income made by the Board of Directors as special reserves created under the terms of the adjustment income mortgage, "to secure the proper, safe and adequate maintenance, equipment, and operation of tunnels, lines of railroad and other properties of the company or to preserve its earning capacity."

EXHIBIT No. 2

CORPORATE INCOME ACCOUNT

	Year ended December 31 1919	Year ended December 31 1918	INCREASE		DECREASE	
			Amount	Per Cent.	Amount	Per Cent.
INCOME FROM LEASE OF ROAD AND HUDSON TERMINAL BUILDINGS TO UNITED STATES RAILROAD ADMINISTRATION.....	\$3,003,362.77	\$3,003,362.77				
GROSS RENTALS FROM OUTSIDE REAL ESTATE.....	59,336.33	52,865.40	\$6,470.93	12.24		
	\$3,062,699.10	\$3,056,228.17	\$6,470.93	.21		
OPERATING EXPENSES OF OUTSIDE REAL ESTATE.....	\$8,781.42	\$11,446.46			\$2,665.04	23.28
TAXES ON OUTSIDE REAL ESTATE.....	20,068.00	20,579.20			511.20	2.48
	\$28,849.42	\$32,025.66			\$3,176.24	9.91
	\$3,033,849.68	\$3,024,202.51	\$9,647.17	.32		
OPERATING EXPENSES—GENERAL:						
Salaries and expenses of general officers and clerks.....	\$23,405.65	\$12,941.92	\$10,463.73	80.86		
General office supplies and expenses.....	50.87	768.96			\$718.09	93.50
Stationery and printing.....	827.24	321.85	505.39	156.92		
Miscellaneous general expenses.....	42,226.54	8,820.82	33,405.72	378.70		
General law expenses.....	9,977.55	2,533.51	7,444.04	293.88		
Total Operating Expenses.....	\$76,487.85	\$25,387.06	\$51,100.79	201.29		
TOTAL OPERATING INCOME.....	\$2,957,361.83	\$2,998,815.45			\$41,453.62	1.40
NON-OPERATING INCOME:						
Interest earned on amortization funds (contra).....	\$75,133.34	\$69,630.74	\$5,502.60	7.90		
*Miscellaneous interest.....	70,957.08	24,629.83	46,327.25	188.09		
Miscellaneous income.....	343.11	4.76	338.35			
Total Non-Operating Income.....	\$146,433.53	\$94,265.33	\$52,168.20	55.34		
Gross Income.....	\$3,103,795.36	\$3,093,080.78	\$10,714.58	.34		
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:						
Rent of track and terminal privileges.....	\$62,049.64	\$61,151.66	\$897.98	1.47		
Interest on car purchase agreements.....	9,033.34	17,466.66			\$8,433.32	48.28
Interest on real estate mortgages.....	43,215.49	43,794.80			579.31	1.32
Interest on unfunded debt.....	10,048.59	2,667.38	7,381.21	276.76		
Interest payable to amortization and depreciation funds (contra).....	75,133.34	69,630.74	5,502.60	7.90		
Amortization of debt discount and expense.....	39,795.12	39,795.12				
Federal income tax assumed for bondholders.....	24,233.50	25,200.00			966.50	3.82
Miscellaneous debits to income.....	8,189.40	1,242.19	6,947.21	557.66		
Total.....	\$271,698.42	\$260,948.55	\$10,749.87	4.12		
INCOME APPLICABLE TO BOND INTEREST.....	\$2,832,096.94	\$2,832,132.23			\$35.29	
BOND INTEREST:						
New York & Jersey 5's.....	\$250,000.00	\$250,000.00				
First Mortgage 4½'s.....	42,480.00	42,480.00				
First Lien and Refunding 5's.....	1,876,055.00	1,876,055.01			\$0.01	
Total.....	\$2,168,535.00	\$2,168,535.01			\$0.01	
BALANCE OF INCOME AFTER PAYMENT OF ALL FIXED CHARGES.....	\$663,561.94	\$663,597.22			\$35.28	
APPROPRIATION TO RESERVE FOR CONTINGENCIES.....	640,000.00	660,000.00			20,000.00	3.03
*BALANCE OF NET INCOME FOR THE PERIOD..	\$23,561.94	\$3,597.22	\$19,964.72	555.03		

*Subject to adjustment of interest with United States Railroad Administration.

EXHIBIT No. 3

FEDERAL INCOME ACCOUNT

Showing result of operation of the property by the Director General of Railroads

	Year ended December 31 1919	Year ended December 31 1918	INCREASE		DECREASE	
			Amount	Per Cent.	Amount	Per Cent.
GROSS REVENUE—PASSENGER FARES.....	\$5,747,297.84	\$4,715,119.60	\$1,032,178.24	21.89		
MISCELLANEOUS REVENUE FROM RAILROAD OPERATION:						
Advertising.....	\$172,502.58	\$149,708.27	\$22,794.31	15.23		
Other car and station privileges.....	117,797.56	101,086.82	16,710.74	16.53		
Rent of buildings and other property.....	24,000.00	24,000.00				
Power.....	3,024.52	19,145.93			\$16,121.41	84.09
Miscellaneous transportation revenue.....	11,024.90	8,812.50	2,212.40	25.10		
Other miscellaneous revenue.....	55,070.44	60,549.18			5,478.74	9.05
TOTAL MISCELLANEOUS REVENUE.....	\$383,420.00	\$363,302.70	\$20,117.30	5.57		
TOTAL RAILROAD REVENUE.....	\$6,130,717.84	\$5,078,422.30	\$1,052,295.54	20.72		
OPERATING EXPENSES OF RAILROAD:						
Maintenance of way and structures.....	\$518,820.70	\$392,986.28	\$125,834.42	32.02		
Maintenance of equipment.....	433,850.98	266,574.19	167,276.79	62.75		
Power.....	818,750.05	729,074.20	89,675.85	12.26		
Transportation expenses.....	1,468,172.95	995,490.11	472,682.84	47.48		
Traffic expenses.....		715.18			\$715.18	
General expenses.....	164,602.23	180,802.40			16,200.17	8.97
TOTAL OPERATING EXPENSES OF RAILROAD.....	\$3,404,196.91	\$2,565,642.36	\$838,554.55	32.68		
NET OPERATING REVENUE FROM RAILROAD.....	\$2,726,520.93	\$2,512,779.94	\$213,740.99	8.51		
TAXES ON RAILROAD OPERATING PROPERTY.....	369,278.26	342,767.26	26,511.00	7.73		
NET INCOME FROM RAILROAD OPERATION.....	\$2,357,242.67	\$2,170,012.68	\$187,229.99	8.63		
NET INCOME FROM HUDSON TERMINAL BUILDINGS.....	812,333.63	804,663.77	7,669.86	.95		
TOTAL NET INCOME FROM ALL OPERATING SOURCES.....	\$3,169,576.30	\$2,974,676.45	\$194,899.85	6.63		
NON-OPERATING INCOME.....	11,152.41	18,640.28			\$7,487.87	40.17
GROSS INCOME.....	\$3,180,728.71	\$2,993,316.73	\$187,411.98	6.26		
INCOME DEDUCTIONS.....	22,293.91	18,329.03	3,964.88	21.63		
BALANCE OF INCOME.....	\$3,158,434.80	\$2,974,987.70	\$183,447.10	6.17		

NOTE:—

Rental due Hudson & Manhattan R. R. Co. (Standard Return).....	\$3,003,362.77
Interest due Hudson & Manhattan Railroad Co., subject to adjustment.....	56,333.93
Total.....	\$3,059,696.70
Balance of net income of the U. S. Railroad Administration for the year, as shown above.....	3,158,434.80
Amount earned by the United States Railroad Administration over Standard Return plus the interest stated above.....	\$98,738.10

EXHIBIT No. 4

CORPORATE AND FEDERAL COMBINED INCOME ACCOUNTS
YEAR ENDED DECEMBER 31st, 1919, COMPARED WITH PREVIOUS YEAR

	United States Railroad Administration and Corporate combined 1919	United States Railroad Administration and Corporate combined 1918	INCREASE		DECREASE	
			Amount	Per cent.	Amount	Per cent.
RAILROAD REVENUES:						
Passenger fares.....	\$5,747,297.84	\$4,715,119.60	\$1,032,178.24	21.89		
Advertising.....	172,502.58	149,708.27	22,794.31	15.23		
Other car and station privileges.....	117,797.56	101,086.82	16,710.74	16.53		
Rent of buildings and other property.....	24,000.00	24,000.00				
Power.....	3,024.52	19,145.93				
Miscellaneous transportation revenue.....	11,024.90	8,812.50	2,212.40	25.10	\$16,121.41	84.09
Other miscellaneous revenue.....	55,070.44	60,549.18			5,478.74	9.05
TOTAL RAILWAY REVENUE.....	\$6,130,717.84	\$5,078,422.30	\$1,052,295.54	20.72		
OPERATING EXPENSES:						
Maintenance of way and structures.....	\$518,820.70	\$392,986.28	\$125,834.42	32.02		
Maintenance of equipment.....	433,850.98	266,574.19	167,276.79	62.75		
Power.....	818,750.05	729,074.20	89,675.85	12.26		
Transportation expenses.....	1,468,172.95	995,490.11	472,682.84	47.48		
Traffic expenses.....		715.18			\$715.18	
General expenses:						
R. R. Administration.....	\$164,602.23					
Corporation.....	45,892.71					
	210,494.94	*196,704.95	13,789.99	7.01		
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,450,089.62	\$2,581,544.91	\$868,544.71	33.64		
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,680,628.22	\$2,496,877.39	\$183,750.83	7.36		
TAXES ON RAILROAD OPERATING PROPERTIES.....	369,278.26	342,767.26	26,511.00	7.73		
NET INCOME FROM RAILROAD OPERATIONS.....	\$2,311,349.96	\$2,154,110.13	\$157,239.83	7.30		
NET INCOME FROM HUDSON TERMINAL BUILDINGS (Exhibit 15).....	781,738.49	795,179.26			\$13,440.77	1.69
NET INCOME FROM OTHER REAL ESTATE.....	30,486.91	20,839.74	9,647.17	46.29		
TOTAL NET INCOME FROM ALL OPERATING SOURCES.....	\$3,123,575.36	\$2,970,129.13	\$153,446.23	5.16		
NON-OPERATING INCOME.....	101,252.01	96,861.43	4,390.58	4.53		
GROSS INCOME.....	\$3,224,827.37	\$3,066,990.56	\$157,836.81	5.13		
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:						
Interest on car purchase agreements.....	\$9,033.34	\$17,466.66			\$8,433.32	48.28
Interest on real estate mortgages.....	43,215.49	43,794.80			579.31	1.32
Rental tracks, yards and terminals.....	62,049.64	79,480.69			17,431.05	21.93
Amortization of debt discount and expense.....	39,795.12	39,795.12				
Miscellaneous deductions.....	139,898.74	98,740.31	\$41,158.43	41.68		
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$293,992.33	\$279,277.58	\$14,714.75	5.27		
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,930,835.04	\$2,787,712.98	\$143,122.06	5.13		
Deduct bond interest on N. Y. & J. 5's, First Mortgage 4½'s, and First Lien & Refunding 5's.....	2,168,535.00	2,168,535.01			\$0.01	
	\$762,300.04	\$619,177.97	\$143,122.07	23.11		
Appropriation to reserve for contingencies.....	640,000.00	660,000.00			\$20,000.00	3.03
BALANCE OF NET INCOME.....	\$122,300.04	Dr. \$40,822.03	\$163,122.07			

*Includes in 1918, \$15,902.55 of corporate expenses.

EXHIBIT No. 5

STATEMENT OF BALANCE OF INCOME ACCOUNT FOR THE YEAR ENDED
DECEMBER 31st, 1919

Balance January 1st, 1919.....	\$41,610.37
Net income for the year ended December 31st, 1919.....	23,561.94
	<u>\$65,172.31</u>
Plus revenues and expenses applicable to the period prior to Jan. 1st, 1918, settled for account of the corporation by the United States Railroad Administration.....	2,399.60
Other miscellaneous adjustments applicable to prior periods.....	<u>847.18</u>
Balance to carry forward to subsequent period (Exhibit 1).....	\$68,419.09

EXHIBIT No. 6

BONDS OUTSTANDING DECEMBER 31st, 1919

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	*	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	† 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*As may be earned and declared up to 5%.

†The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

EXHIBIT No. 7
EQUIPMENT OBLIGATIONS OUTSTANDING DECEMBER 31st, 1919

ISSUED BY	Series	Date of Purchase Contract	DESCRIPTION OF EQUIPMENT	Original Amount	Amount Paid	Amount Outstanding	INTEREST		SEMI-ANNUAL INSTALL- MENTS ON ACCOUNT OF PRINCIPAL		FINAL PAYMENT DUE
							Rate	Payable	Amount	Payable	
Guaranty Trust Co. of N.Y.	B	Oct. 1, 1910	50 Steel Passenger Motor Cars	\$662,500	\$612,500	\$50,000	5%	Apr. 1, Oct. 1	\$25,000	Apr. 1, Oct. 1	October 1, 1920
Guaranty Trust Co. of N.Y.	C	Aug. 1, 1911	36 Steel Passenger Motor Cars	510,000	426,000	84,000	5%	Feb. 1, Aug. 1	21,000	Feb. 1, Aug. 1	August 1, 1921
				\$1,172,500	\$1,038,500	\$134,000					

EXHIBIT No. 8
CORPORATE AND FEDERAL COMBINED RAILROAD OPERATING REVENUES, EXPENSES
AND TAXES FOR THE YEAR ENDED DECEMBER 31st, 1919,
COMPARED WITH PREVIOUS YEAR

OPERATING REVENUES	1919	1918	INCREASE	DECREASE
Revenue from transportation:				
Passenger revenue.....	\$5,747,297.84	\$4,715,119.60	\$1,032,178.24	
Miscellaneous transportation revenue.....	11,024.90	8,812.50	2,212.40	
TOTAL REVENUE FROM TRANSPORTATION.....	\$5,758,322.74	\$4,723,932.10	\$1,034,390.64	
Other railroad operating revenues:				
Advertising privileges.....	\$172,502.58	\$149,708.27	\$22,794.31	
Other car and station privileges.....	117,797.56	101,086.82	16,710.74	
Sale of power.....	3,024.52	19,145.93		\$16,121.41
Miscellaneous.....	79,070.44	84,549.18		5,478.74
TOTAL REVENUE OTHER THAN TRANSPORTATION.....	\$372,395.10	\$354,490.20	\$17,904.90	
TOTAL RAILROAD OPERATING REVENUES.....	\$6,130,717.84	\$5,078,422.30	\$1,052,295.54	
OPERATING EXPENSES				
Maintenance of way and structures:				
Superintendence.....	\$8,897.05	\$9,812.92		\$915.87
Ballast.....	2,411.97	1,057.19	\$1,354.78	
Ties.....	11,664.71	6,110.50	5,554.21	
Rails.....	12,334.95	7,111.11	5,223.84	
Rail fastenings and joints.....	7,586.50	8,327.24		740.74
Special work.....	15,905.11	1,367.26	14,537.85	
Roadway and track labor.....	60,428.21	49,102.92	11,325.29	
Miscellaneous roadway and track expenses.....	2,706.86	1,444.23	1,262.63	
Care of track.....	30,231.07	28,282.91	1,980.16	
Removal of snow and ice.....	443.88	1,112.27		668.39
Tunnels:				
Tunnel structure.....	10,421.98	7,315.83	3,106.15	
Concrete lining and cable ducts.....	160.47	115.79	44.68	
Ventilating system.....	847.83	275.34	572.49	
Drainage system.....	79,301.43	56,568.60	22,732.83	
Lighting system.....	8,506.26	6,933.64	1,572.62	
Miscellaneous expenses.....	1,523.81	496.03	1,027.78	
Signal and interlocking system.....	78,813.55	57,612.48	21,201.07	
Telephone and emergency alarm system.....	6,845.65	3,429.99	3,415.66	
Miscellaneous maintenance of way expenses.....	4,407.05	3,624.87	782.18	
Distribution system:				
Feeders.....	5,849.92	5,960.44		110.52
Track bonding.....	4,248.48	2,289.34	1,959.14	
Contact rails.....	23,185.21	9,354.49	13,830.72	
Miscellaneous expenses.....	3.35		3.35	
Miscellaneous electric line expenses.....	218.91	582.57		363.66
Buildings and structures:				
Car shop building.....	11,218.69	15,122.60		3,903.91
Station waiting rooms.....	79,830.51	61,991.25	17,339.26	
Miscellaneous buildings.....	3,889.25	178.43	3,710.82	
Depreciation of way and structures.....	47,438.04	47,438.04		
TOTAL.....	\$518,820.70	\$392,986.28	\$125,834.42	
Maintenance of equipment:				
Superintendence.....	\$11,791.44	\$9,735.34	\$2,056.10	
Passenger cars.....	283,967.68	150,986.66	132,981.02	
Work cars.....	175.52	817.60		\$342.08
Electric equipment of cars.....	40,960.01	21,582.83	19,377.18	
Car shop machinery and tools.....	4,826.12	4,681.78	144.34	
Car shop expenses.....	50,229.21	37,156.48	13,072.73	
Miscellaneous equipment expenses.....		12.50		12.50
Depreciation of equipment.....	41,901.00	41,901.00		
TOTAL.....	\$433,850.98	\$266,574.19	\$167,276.79	
Power:				
Superintendence.....	\$11,899.54	\$12,261.12		\$361.58
Main power house building.....	15,360.85	8,135.12	\$7,225.73	
Sub-station No. 1 building.....	135.31	293.07		157.76
Main power house equipment.....	144,659.59	93,453.21	51,206.38	
Sub-station No. 1 equipment.....	4.91	37.52		32.61
Sub-station No. 2 equipment.....	71.07		71.07	

EXHIBIT No. 8—Continued
CORPORATE AND FEDERAL COMBINED RAILROAD OPERATING REVENUES, EXPENSES
AND TAXES FOR THE YEAR ENDED DECEMBER 31st, 1919,
COMPARED WITH PREVIOUS YEAR

OPERATING EXPENSES—Continued	1919	1918	INCREASE	DECREASE
Power—Continued				
Sub-station No. 3 equipment.....	\$1,290.52	\$5.86	\$1,284.66	
Depreciation of power plant buildings and equipment.....	35,677.92	35,677.92		
Wages main power house employees.....	165,437.66	161,601.61	3,836.05	
Fuel for main power house.....	483,647.66	445,076.50	38,571.16	
Water for main power house.....	8,631.37	7,339.70	1,291.67	
Lubricants for main power house.....	1,515.89	2,335.04		\$819.15
Miscellaneous supplies and expenses M. P. H.....	6,448.40	7,239.76		791.36
Wages sub-station No. 1 employees.....	11,984.93	11,597.31	387.62	
Supplies and expenses sub-station No. 1.....	699.23	425.27	273.96	
Wages sub-station No. 2 employees.....	10,833.94	9,262.01	1,571.93	
Supplies and expenses sub-station No. 2.....	1,154.91	468.96	685.95	
Wages sub-station No. 3 employees.....	12,615.10	9,510.28	3,104.82	
Supplies and expenses sub-station No. 3.....	966.95	568.12	398.83	
Power purchased.....	1,262.00		1,262.00	
Power exchanged—Balance.....	Cr. 2,432.00	Dr. 2,212.00		5,144.00
Other operations—Credit.....	Cr. 92,615.70	Cr. 78,426.18		14,189.52
TOTAL.....	\$818,750.05	\$729,074.20	\$89,675.85	
Transportation expenses:				
Superintendence.....	\$101,963.07	\$73,046.91	\$28,916.16	
Wages passenger motormen.....	178,738.57	120,044.58	58,693.99	
Wages passenger conductors.....	135,289.08	92,381.18	42,907.90	
Wages passenger trainmen.....	314,796.26	175,338.01	139,458.25	
Wages other car service employees.....	80,234.79	39,603.91	40,630.88	
Train supplies and expenses.....	19,387.83	12,991.24	6,396.59	
Wages station employees.....	340,492.33	265,159.66	75,332.67	
Station supplies and expenses.....	31,917.13	22,889.57	9,027.56	
Wages car house employees.....	156,594.26	104,925.82	51,568.44	
Car house supplies and expenses.....	11,342.41	6,733.08	4,609.33	
Operating signal and interlocking systems.....	88,638.77	76,158.72	12,480.05	
Operating telephone system.....	6,277.81	5,844.72	433.09	
Other transportation expenses.....	2,700.64	472.71	2,227.93	
TOTAL.....	\$1,468,172.95	\$995,490.11	\$472,682.84	
Traffic expenses:				
Superintendence and solicitation.....		\$516.38		\$516.38
Advertising.....		198.80		198.80
TOTAL.....		\$715.18		\$715.18
*General expenses:				
Salaries and expenses of general officers.....	\$43,670.52	\$48,028.83		\$4,358.31
Salaries and expenses of general office clerks.....	55,786.47	54,205.83	\$1,580.64	
General office supplies and expenses.....	2,160.97	2,703.00		542.03
General law expenses.....	8,389.12	9,006.34		617.22
Stationery and printing.....	13,405.00	11,280.40	2,124.60	
Store expenses.....	15,112.38	14,927.26	185.12	
Insurance.....	1,958.78	6,007.44		4,048.66
Injuries and damages.....	22,749.16	19,018.57	3,730.59	
Law expenses in connection with damages.....	2,222.49	335.09	1,887.40	
Contributions to employees' benefit fund.....	3,152.57	1,990.95	1,161.62	
Premiums paid on life insurance policies for employees.....	7,711.16	6,325.34	1,385.82	
Miscellaneous general expenses.....	34,176.32	22,875.90	11,300.42	
TOTAL.....	\$210,494.94	\$196,704.95	\$13,789.99	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,450,089.62	\$2,581,544.91	\$868,544.71	
NET RAILROAD OPERATING REVENUE.....	\$2,680,628.22	\$2,496,877.39	\$183,750.83	
TAXES ON RAILROAD OPERATING PROPERTIES.....	369,278.26	342,767.26	26,511.00	
OPERATING INCOME.....	\$2,311,349.96	\$2,154,110.13	\$157,239.83	
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES.....	56.27%	50.83%	5.44%	
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES.....	62.30%	57.58%	4.72%	

*General expenses include corporate expenses in amount \$15,902.55 for year 1918 and \$45,892.71 for year 1919.

EXHIBIT No. 9

**RAILROAD OPERATING REVENUES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st, 1919
AND TOTALS FOR YEAR ENDED DECEMBER 31st, 1918**

Showing revenue derived from the property by the Director General of Railroads during 1919, compared with the operation for 1918

MONTHS	Passengers carried	OPERATING REVENUES						
		Passenger revenue	Advertising	Other car and station privileges	Sale of power	Miscellaneous revenue other than transportation	Miscellaneous transportation revenue	Total operating revenue
January 1919.....	7,894,895	\$480,416.59	\$12,528.50	\$9,696.13	\$250.42	\$9,608.57	\$831.90	\$513,332.11
February ".....	6,845,506	418,897.06	13,398.93	8,692.39	234.46	3,894.85	737.80	445,855.49
March ".....	8,403,172	514,825.32	13,055.12	10,347.70	255.69	6,400.47	843.90	545,728.20
April ".....	7,918,409	485,327.87	13,489.25	10,459.06	254.03	6,345.27	846.50	516,721.98
May ".....	7,865,191	480,865.51	13,453.12	10,422.18	282.76	5,603.05	882.30	511,508.92
June ".....	7,407,158	451,406.39	13,652.76	9,811.35	212.99	5,475.64	837.40	481,396.53
July ".....	7,209,630	440,513.62	13,906.76	8,848.03	265.81	5,837.17	921.80	470,293.19
August ".....	7,261,719	442,443.13	14,098.46	9,419.51	225.06	6,095.50	954.20	473,235.86
September ".....	7,596,186	464,972.38	15,169.24	8,637.47	257.12	6,168.71	973.90	496,178.82
October ".....	8,593,739	523,738.99	16,883.54	9,424.03	240.49	7,074.66	1,089.80	558,451.51
November ".....	8,176,680	499,403.50	16,751.23	10,732.21	283.53	7,477.91	1,026.90	535,675.28
December ".....	8,930,176	544,487.48	16,115.67	11,307.50	262.16	9,088.64	1,078.50	582,339.95
Totals year ended December 31st, 1919	94,102,461	\$5,747,297.84	\$172,502.58	\$117,797.56	\$3,024.52	\$79,070.44	\$11,024.90	\$6,130,717.84
Totals year ended December 31st, 1918	79,964,372	\$4,715,119.60	\$149,708.27	\$101,086.82	\$19,145.93	\$84,549.18	\$8,812.50	\$5,078,422.30
Increase.....	14,138,089	\$1,032,178.24	\$22,794.31	\$16,710.74			\$2,212.40	\$1,052,295.54
Per cent. of increase	17.7%	21.9%	15.2%	16.5%			25.1%	20.7%
Decrease.....					\$16,121.41	\$5,478.74		
Per cent. of decrease					84.1%	6.48%		

EXHIBIT No. 10
RAILROAD OPERATING EXPENSES, BY MONTHS, FOR YEAR ENDED DECEMBER 31st, 1919, AS COMPARED WITH
TOTALS FOR YEAR ENDED DECEMBER 31st, 1918

MONTHS	OPERATING EXPENSES (including depreciation)							Net operating revenue	Ratio of operating expenses to operating revenue
	Maintenance of way and structures	Maintenance of equipment	Power	Transportation expenses	Traffic expenses	General expenses	Total operating expenses		
January 1919	\$47,630.84	\$31,470.91	\$72,627.06	\$99,696.76		\$18,080.84	\$269,506.41	\$243,825.70	52.50%
February "	41,282.65	33,969.08	60,479.22	89,920.17		31,913.21	257,564.33	188,291.16	57.79%
March "	51,555.37	31,730.14	61,973.07	100,074.29		16,832.55	262,165.42	283,562.78	48.03%
April "	47,172.34	31,767.72	59,351.27	95,244.95		16,057.67	249,593.95	267,128.03	48.30%
May "	39,194.07	34,701.42	61,909.69	98,462.91		15,770.71	250,038.80	261,470.12	48.88%
June "	39,219.01	27,101.50	76,478.50	232,410.44		8,752.24	383,961.69	97,434.84	79.75%
July "	36,442.79	30,916.72	59,441.67	117,195.58		18,688.56	262,685.32	207,607.87	55.85%
August "	35,077.04	32,834.53	60,069.95	115,739.92		14,399.12	258,120.56	215,115.30	54.54%
September "	41,294.20	47,607.01	75,344.60	115,535.93		12,912.71	292,694.45	203,484.37	58.98%
October "	46,395.45	47,835.80	79,051.27	131,336.17		17,162.04	321,780.73	236,670.78	57.62%
November "	45,905.28	28,350.83	78,745.57	134,132.41		18,049.04	305,183.13	230,492.15	56.99%
December "	47,651.66	55,565.32	73,278.18	138,423.42		21,876.25	336,794.83	245,545.12	57.83%
Totals year ended December 31st, 1919	\$518,820.70	\$433,850.98	\$818,750.05	\$1,468,172.95		* \$210,494.94	\$3,450,089.62	\$2,680,628.22	56.27%
Totals year ended December 31st, 1918	\$392,986.28	\$266,574.19	\$729,074.20	\$995,490.11	\$715.18	* \$196,704.95	\$2,581,544.91	\$2,496,877.39	43.18%
Increase.....	\$125,834.42	\$167,276.79	\$89,675.85	\$472,682.84		\$13,789.99	\$868,544.71	\$183,750.83	13.09%
Per cent. of increase..	32.02%	62.75%	12.26%	47.48%		7.01%	33.64%	7.36%	30.31%
Decrease.....					\$715.18				
Per cent. of decrease									

NOTE.—The monthly totals and ratios are distorted by the increased compensation granted to the employees by the United States Railroad Administration, in many cases retroactive both as to the original order and various modifications thereof, becoming effective in the accounts at irregular periods.

*Includes in 1919 \$45,892.71 and in 1918 \$15,902.55 of corporate expenses.

EXHIBIT No. 11
OPERATING STATISTICS FOR YEARS ENDED DECEMBER 31st, 1919 AND 1918

	United States Railroad Administration 1919	United States Railroad Administration 1918	INCREASE		DECREASE	
			Amount	Per cent.	Amount	Per cent.
MILES OF ROAD OPERATED.....	8.50	8.50				
NUMBER OF REVENUE CAR MILES OPERATED	9,275,286	8,510,430	764,856	8.99%		
PASSENGER REVENUE.....	\$5,747,297.84	\$4,715,119.60	\$1,032,178.24	21.89%		
MISCELLANEOUS RAILROAD REVENUE.....	383,420.00	363,302.70	20,117.30	5.54%		
GROSS RAILROAD OPERATING REVENUE.....	\$6,130,717.84	\$5,078,422.30	\$1,052,295.54	20.72%		
*OPERATING EXPENSES (excluding taxes)....	3,450,089.62	2,581,544.91	868,544.71	33.64%		
NET RAILROAD OPERATING REVENUE.....	\$2,680,628.22	\$2,496,877.39	\$183,750.83	7.36%		
Passenger traffic:						
Number of passengers carried.....	94,102,461	79,964,372	14,138,089	17.68%		
Number of passengers carried per mile of road.....	11,070,877	9,407,573	1,663,304	17.68%		
Number of passengers per revenue car mile.....	10.15	9.40	.75	7.98%		
Revenues and operating expenses:						
Passenger revenue per mile of road....	\$676,152.69	\$554,719.95	\$121,432.74	21.90%		
Gross railroad operating revenue per mile of road.....	721,260.92	597,461.44	123,799.48	20.72%		
Operating expenses (excluding taxes) per mile of road.....	405,892.90	303,711.16	102,181.74	33.64%		
Net railroad operating revenue per mile of road.....	315,368.02	293,750.28	21,617.74	7.36%		
Passenger revenue per revenue car mile.....	\$0.6196	\$0.5540	\$0.0656	11.84%		
Gross railroad operating revenue per revenue car mile.....	0.6610	0.5967	0.0643	10.78%		
Operating expenses (excluding taxes) per revenue car mile.....	0.3719	0.3033	0.0686	22.61%		
Net railroad operating revenue per revenue car mile.....	0.2891	0.2934			\$0.0043	1.46%
Passenger revenue per passenger.....	0.0614	0.0590	0.0024	4.07%		
Gross railroad operating revenue per passenger.....	0.0651	0.0635	0.0016	2.52%		
Operating expenses (excluding taxes) per passenger.....	0.0366	0.0323	0.0043	13.31%		
Net railroad operating revenue per passenger.....	0.0285	0.0312			0.0027	8.65%

*Includes in 1919, \$45,892.71, and in 1918, \$15,902.55, of corporate expenses.

EXHIBIT No. 12
MILEAGE OPERATED DURING 1919

MILES OF TRACK:

IN NEW YORK:

Main lines.....	6.317	
Sidings and crossovers.....	.774	
Total track in New York.....		7.091

IN NEW JERSEY:

Main lines.....	10.694	
Sidings and crossovers.....	.335	
Car yard and approach.....	1.908	
Total track in New Jersey.....		12.937
Total mileage all tracks.....		<u>20.028</u>

MILES OF ROAD:

In New York.....	3.15	
In New Jersey.....	5.35	
Total miles of road.....		<u>8.50</u>

EXHIBIT No. 13

DESCRIPTION OF CAR EQUIPMENT

Steel passenger cars with motors.....	226
Steel derrick car with motor.....	1
Flat cars.....	4

DIMENSIONS OF PASSENGER CARS:

Length over all.....	48 feet 0 inches
Width over all.....	8 " 11 $\frac{3}{8}$ "
Height over all.....	12 " 0 "
Seating capacity.....	44 persons

EXHIBIT No. 14

DESCRIPTION OF POWER EQUIPMENT

POWER PLANT EQUIPMENT:

4 Turbo units A. C.....	CAPACITY 28,000 K. W.
9 Water tube boilers.....	} 8,100 H. P.
9 Superheaters.....	
9 Economizers.....	
12 Rotary converters.....	19,500 K. W.
37 Transformers.....	21,850 K. W.
Transmission cables.....	11,000 Volt A. C.
Distribution cables.....	625 Volt D. C.

EXHIBIT No. 15

**HUDSON TERMINAL BUILDINGS OPERATING REVENUES, EXPENSES AND TAXES FOR THE YEAR ENDED DECEMBER 31st,
1919, COMPARED WITH PREVIOUS YEAR**

	1919	1918	INCREASE		DECREASE	
			Amount	Per cent.	Amount	Per cent.
OPERATING REVENUES:						
Gross rentals.....	\$1,729,706.97	\$1,692,023.56	\$37,683.41	2.22%		
Miscellaneous revenues.....	59,148.97	54,398.74	4,750.23	8.73%		
	\$1,788,855.94	\$1,746,422.30	\$42,433.64	2.43%		
Less assumed leases in other buildings.....		5,352.51			\$5,352.51	
NET TOTAL OPERATING REVENUES	\$1,788,855.94	\$1,741,069.79	\$47,786.15	2.74%		
OPERATING EXPENSES:						
Maintenance of structures and plant.....	\$133,010.65	\$94,988.45	\$38,022.20	40.03%		
Expenses of operation.....	455,055.87	424,777.52	30,278.35	7.13%		
General expenses:						
R. R. Administration.....	\$66,969.99					
Corporation.....	30,595.14					
	97,565.13	*99,888.76			\$2,323.63	2.32%
	\$685,631.65	\$619,654.73	\$65,976.92	10.64%		
Depreciation of buildings and plant.....	36,864.00	36,864.00				
TOTAL OPERATING EXPENSES	\$722,495.65	\$656,518.73	\$65,976.92	10.05%		
NET OPERATING REVENUE	\$1,066,360.29	\$1,084,551.06			\$18,190.77	1.68%
TAXES	284,621.80	289,371.80			4,750.00	1.64%
NET INCOME FROM HUDSON TERMINAL BUILDINGS	\$781,738.49	\$795,179.26			\$13,440.77	1.69%
Ratio of operating expenses to net total operating revenues.....	43.70%	37.71%				

*Includes in 1918 \$9,484.51 of corporate expenses.



TWELFTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31st, 1920



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

37804-

HUDSON & MANHATTAN RAILROAD COMPANY

TWELFTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1920

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HUDSON & MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

WILLIAM M. BARNUM	- -	New York City	ROBERT B. KAY	- - -	Jersey City, N. J.
LEWIS L. CLARKE	- - -	Elberon, N. J.	WALTER G. OAKMAN	- -	New York City
J. VIPOND DAVIES	- - -	Flushing, N. Y.	JOHN W. PLATTEN	- - -	New York City
WILBUR C. FISK	- -	Morristown, N. J.	OREN ROOT	- - -	New York City
JEROME J. HANAUER	- -	New York City	ALBERT H. WIGGIN	- - -	New York City
		WILLIAM H. WILLIAMS	- -	Plainfield, N. J.	

GENERAL OFFICERS

		OREN ROOT	- - -	President
J. VIPOND DAVIES,	Vice-Pres. and Chief Engineer	ROBERT C. GOODALE	- -	General Attorney
FLETCHER H. SILICK	- - - Comptroller	CARL S. KLUMPP	-	General Superintendent
WESLEY S. TWIDDY,	- Treas. and Asst. Secty.	P. COMPTON MILLER	-	Real Estate Agent
ROBERT B. KAY	- Secty. and Asst. Treas.	HARRY W. WEBBER	- -	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST CO., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK CITY

HUDSON & MANHATTAN RAILROAD COMPANY

New York, June 9th, 1921.

To the Stockholders and Bondholders of the

HUDSON & MANHATTAN RAILROAD COMPANY.

Your Board of Directors submits the following report for the year ended

December 31, 1920:

CONDENSED STATEMENT OF INCOME

	1920	1919	INCREASE	DECREASE
Gross Operating Revenues.....	\$9,016,253.72	\$7,978,910.11	\$1,037,343.61	
Operating Expenses and Taxes.....	5,469,437.85	4,877,628.66	591,809.19	
Gross Operating Income.....	\$3,546,815.87	\$3,101,281.45	\$445,534.42	
Adjustment to U. S. Govt. Compensation Guarantee.....	64,103.78	143,919.62		\$79,815.84
Net Operating Income.....	\$3,482,712.09	\$2,957,361.83	\$525,350.26	
Non-operating Income.....	217,739.07	146,433.53	71,305.54	
Gross Income.....	\$3,700,451.16	\$3,103,795.36	\$596,655.80	
Income deductions other than bond interest.....	282,185.18	271,698.42	10,486.76	
Income applicable to bond interest.....	\$3,418,265.98	\$2,832,096.94	\$586,169.04	
Bond Interest (excluding interest on Adjustment Income Bonds):				
First Lien and Refunding 5's.....	\$1,876,055.00	\$1,876,055.00		
First Mortgage 4½'s.....	42,480.00	42,480.00		
New York & Jersey 5's.....	250,000.00	250,000.00		
	\$2,168,535.00	\$2,168,535.00		
Balance.....	\$1,249,730.98	\$663,561.94	\$586,169.04	
Appropriation to reserve for contingencies.....	653,000.00	640,000.00	13,000.00	
	\$596,730.98	\$23,561.94	\$573,169.04	
Interest on Adjustment Income 5% Bonds, amounting to 2%, paid April 1st, 1921.....	\$662,040.00			
Deferred interest on Adjustment Income 5% Bonds, being balance of 3% cumulative and unpaid.....	993,060.00			
Full interest on Adjustment Income 5% Bonds.....	\$1,655,100.00			
Corporate deficit for the year 1920.....	\$1,058,369.02			

Balance sheet, income account, and other statements of accounts and statistics are hereinafter submitted.

GUARANTY PERIOD

Your Company accepted the provisions of Section 209 of the Transportation Act, which guaranteed the operating income for the six months beginning March 1, 1920, the amount of the guaranty (\$1,501,681.38) being one-half the annual compensation fixed in the agreement with the Director General of Railroads. Statements setting forth the claims of the Company, with respect to both Federal Control period and Guaranty period, have been duly submitted to the Director General of Railroads and the Interstate Commerce Commission respectively, but the Company has not been able to effect settlement of either of these claims. Negotiations are continuing and it is hoped that settlements will be consummated at an early date. A total of 555 railroad properties were taken over by the Government and operated by the Director General of Railroads for the entire period of Federal Control, and, in addition, 855 short-line railroads were under Federal Control for a period of six months. All of these roads have claims against the Government and up to May 1, 1921, claims had been filed by 149 railroads and 47 settlements had been effected.

RAILROAD FARES

At the date of the last annual report the Interstate Commerce Commission was conducting an investigation upon the application of the Company to increase its local fares. After several public hearings the Commission, under date of August 9, 1920, issued an order approving the continuance of the rates of 10 cents uptown and 6 cents downtown, which had been in effect tentatively since April 18, 1920.

While the increased fares have been of assistance to your Company, the general financial results have been affected by the widespread business depression which pervaded all transportation and other industries during the latter part of 1920 and continues at this time.

TAXES

Your Company, in common with other transportation companies in this territory, is again burdened with increased taxation. Taxes on the railroad properties were \$415,353.70 in 1920, and will amount to \$542,651.68 in 1921, an increase of \$127,297.98 or 30.65%. Taking the passenger revenue for 1920, taxes for that year were 6.27% of the revenue, and for 1921 will be 8.54% of that revenue.

Taxes on the Hudson Terminal Buildings have also been increased from \$303,423.88 in 1920, to \$385,180.00 in 1921, or 26.94%.

The total increase in taxation for 1921 over 1920 amounts to \$209,054.10, or 29.08%.

LABOR

During the latter part of 1920 the several classes of employees submitted demands for wage increases, which were denied by the management, and the subject was taken before the United States

Railroad Labor Board by the employees. A hearing was held in Chicago on October 18, 1920, and on December 11, 1920, the Labor Board rendered its decision to the effect that it did not have jurisdiction over labor matters on your railroad. The labor situation, therefore, is in the hands of your management as formerly.

POWER SUPPLY

In accordance with the agreement entered into with the New York Edison Company on January 5, 1920, that Company took over the operation of your main power plant on November 15, 1920, and the results have been satisfactory.

CAR EQUIPMENT

For several years past the rolling stock has been inadequate to meet the demands of increasing traffic. During the year 25 standard motor cars were ordered and placed in service. The number of cars owned by the Company is thereby increased about 11%, affording a substantial measure of relief in the handling of traffic.

FINANCIAL

Under the Transportation Act the Interstate Commerce Commission is directed to fix rates to permit of carriers earning net operating income as nearly as might be a fair return upon the aggregate value of their railway property, and the Commission was directed to take as such fair return for the two years beginning March 1, 1920, a sum equal to $5\frac{1}{2}\%$ of such aggregate value and was given discretion to add thereto a sum not exceeding $\frac{1}{2}\%$ of such aggregate value to make provision in whole or part for improvements, betterments or equipment chargeable to capital account. The net income of your Company from railroad operations for the year 1920 was equal to 3.55% on the outstanding funded debt allocated to railroad operations.

ADJUSTMENT INCOME BONDS

From the readjustment of the Company's funded debt in 1913 to June 30, 1916, interest was paid on the adjustment income bonds at the rate of 2% per annum, but between the latter date and June 30, 1920, the Company's income was insufficient, after setting aside the necessary reserves, to provide for any interest on these bonds. At a meeting of your Board on February 10, 1921, an installment of interest was declared, amounting to 2%, out of the surplus income of the Company for the six months ending December 31, 1920, and the surplus of \$68,161.52 carried over from previous periods. No interest was paid for the six months ended June 30, 1920, and as the full 5% on these bonds is cumulative after January 1, 1920, a balance of 3% of cumulative interest remains unpaid, and is represented by coupons subsequent to coupon No. 16 and by the obligations expressed on the face of each bond.

Your Board records with deep sorrow the death on December 29, 1920, of one of its members, Mr. Alexander J. Hemphill. Mr. Hemphill at all times manifested deep interest in the welfare of the Company, which in his death is deprived of an able Director, and the members of the Board lose an esteemed associate.

To fill the vacancy on the Board of Directors occasioned by the death of Mr. Frederic B. Jennings on May 26, 1920, Mr. J. Vipond Davies was elected by the Board, and Mr. Robert B. Kay was elected to fill the vacancy caused by the death of Mr. Hemphill.

By order of the Board of Directors,

OREN ROOT,
President.

NEW YORK, JUNE 8th, 1921.

MR. OREN ROOT,
President.

DEAR SIR:

Submitted herewith will be found a Condensed Balance Sheet, Income Account and Profit and Loss Statement of Hudson & Manhattan Railroad Company, which I certify to be in conformity with the books, and to set forth correctly the financial condition of the Company to December 31st, 1920, and the results of the operations of the Company to that date.

Very truly yours,

FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1

CONDENSED BALANCE SHEET

Preliminary and Subject to Adjustments in Settlement of Accounts

ASSETS

Property accounts.....	\$121,263,311.03	
Less reserve for property amortization.....	2,124,187.88	
		\$119,139,123.15
Investments.....		1,611,550.99
Deposits in lieu of mortgaged property sold.....		94,188.70
Amortization funds.....		1,959,812.79
Bond discount in process of amortization.....		3,507,145.56
Current cash account.....	\$863,061.56	
Cash deposited to pay matured coupons.....	38,527.50	
Materials and supplies.....	405,054.68	
Current accounts receivable.....	571,398.07	
Deposits with public departments.....	14,185.66	
Prepayments.....	55,893.85	
Unadjusted accounts.....	25,846.58	
Due from U. S. R. A., net, subject to adjustment.....	404,466.12	
		2,378,434.02
Profit and loss, deficit.....		990,225.28
TOTAL ASSETS.....		\$129,680,480.49

EXHIBIT No. 1

AS OF DECEMBER 31st, 1920

with the Government for Federal Control and Guaranty Periods

LIABILITIES

Common capital stock.....	\$39,994,890.00	
Preferred capital stock.....	5,242,151.25	
Stocks held to redeem outstanding securities of predecessor companies.....	12,908.75	
		\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	\$5,000,000.00	
First mortgage 4½% bonds.....	944,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
		76,567,233.66
Real estate mortgages.....		858,000.00
Car purchase installments.....		42,000.00
Readjustment reserve.....		477,922.48
Reserve for contingencies.....		3,028,000.00
Accrued liabilities for interest, etc., not yet due.....	\$926,104.19	
Current accounts payable.....	354,403.50	
Due amortization and depreciation funds.....	351,124.83	
Operating reserves.....	126,429.54	
Matured interest payable.....	44,212.29	
Interest on adjustment income 5% bonds, 2% payable April 1st, 1921.....	662,040.00	
		2,464,314.35
Deferred interest on adjustment income 5% bonds, being unpaid balance of 3%.....		993,060.00
TOTAL LIABILITIES.....		\$129,680,480.49

EXHIBIT No. 2

HUDSON & MANHATTAN RAILROAD COMPANY

PROFIT AND LOSS ACCOUNT DECEMBER 31, 1920

Balance, December 31st, 1919.....		\$68,419.09
Adjustments applicable to prior periods.....	\$ 275.35	
Deficit for year ended December 31st, 1920, as per income account.....	1,058,369.02	
Balance, December 31st, 1920.....		<u>990,225.28</u>
	<u>\$1,058,644.37</u>	<u>\$1,058,644.37</u>

EXHIBIT No. 3

BONDS OUTSTANDING DECEMBER 31st, 1920

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	$\left\{ \begin{array}{l} 1,000 \\ 500 \\ 100 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	$\left\{ \begin{array}{l} 1,000 \\ 500 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	*	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	† 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*As may be earned and declared up to 5%, cumulative after January 1st, 1920.

†The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

EXHIBIT No. 4
CORPORATE AND FEDERAL COMBINED RAILROAD OPERATING REVENUES, EXPENSES
AND TAXES FOR THE YEAR ENDED DECEMBER 31st, 1920,
COMPARED WITH PREVIOUS YEAR

OPERATING REVENUES	*1920	**1919	INCREASE	DECREASE
Revenue from transportation:				
Passenger revenue.....	\$6,355,928.83	\$5,747,297.84	\$608,630.99	
Miscellaneous transportation revenue.....	12,587.00	11,024.90	1,562.10	
TOTAL REVENUE FROM TRANSPORTATION.....	\$6,368,515.83	\$5,758,322.74	\$610,193.09	
Other railroad operating revenues:				
Advertising privileges.....	\$222,269.17	\$172,502.58	\$49,766.59	
Other car and station privileges.....	147,487.05	117,797.56	29,689.49	
Sale of power.....	3,034.38	3,024.52	9.86	
Miscellaneous.....	96,962.99	79,070.44	17,892.55	
TOTAL REVENUE OTHER THAN TRANSPORTATION.....	\$469,753.59	\$372,395.10	\$97,358.49	
TOTAL RAILROAD OPERATING REVENUES.....	\$6,838,269.42	\$6,130,717.84	\$707,551.58	
OPERATING EXPENSES				
Maintenance of way and structures:				
Superintendence.....	\$10,178.89	\$8,897.05	\$1,281.84	
Ballast.....	756.77	2,411.97		\$1,655.20
Ties.....	7,014.04	11,664.71		4,650.67
Rails.....	13,995.85	12,334.95	1,660.90	
Rail fastenings and joints.....	6,419.82	7,586.50		1,166.68
Special work.....	4,987.10	15,905.11		10,918.01
Roadway and track labor.....	59,133.89	60,428.21		1,294.32
Miscellaneous roadway and track expenses.....	2,530.85	2,706.86		176.01
Care of track.....	46,920.09	30,231.07	16,689.02	
Removal of snow and ice.....	2,004.09	443.88	1,560.21	
Tunnels:				
Tunnel structure.....	11,761.15	10,421.98	1,339.17	
Concrete lining and cable ducts.....	41.09	160.47		119.38
Ventilating system.....	1,540.78	847.83	692.95	
Drainage system.....	90,347.99	79,301.43	11,046.56	
Lighting system.....	13,170.45	8,506.26	4,664.19	
Miscellaneous expenses.....	5,139.49	1,523.81	3,615.68	
Signal and interlocking system.....	91,533.74	78,813.55	12,720.19	
Telephone and emergency alarm system.....	8,828.49	6,845.65	1,982.84	
Miscellaneous maintenance of way expenses.....	4,005.38	4,407.05		401.67
Distribution system:				
Feeders.....	10,361.43	5,849.92	4,511.51	
Track bonding.....	3,845.28	4,248.48		403.20
Contact rails.....	25,067.02	23,185.21	1,881.81	
Miscellaneous expenses.....		3.35		3.35
Miscellaneous electric line expenses.....	400.47	218.91	181.56	
Buildings and structures:				
Car shop building.....	7,017.47	11,218.69		4,201.22
Station waiting rooms.....	121,228.11	79,330.51	41,897.60	
Miscellaneous buildings.....	3,667.48	3,889.25		221.77
Depreciation of way and structures.....	47,438.04	47,438.04		
TOTAL.....	\$599,335.25	\$518,820.70	\$80,514.55	
Maintenance of equipment:				
Superintendence.....	\$13,436.59	\$11,791.44	\$1,645.15	
Passenger cars.....	305,513.50	283,967.68	21,545.82	
Work cars.....	12.26	175.52		\$163.26
Electric equipment of cars.....	59,198.97	40,960.01	18,238.96	
Car shop machinery and tools.....	2,796.70	4,826.12		2,029.42
Car shop expenses.....	63,330.55	50,229.21	13,101.34	
Miscellaneous equipment expenses.....		41,901.00		
Depreciation of equipment.....	41,901.00	41,901.00		
TOTAL.....	\$486,189.57	\$433,850.98	\$52,338.59	
Power:				
Superintendence.....	\$8,679.77	\$11,899.54		\$3,219.77
Main power house building.....	8,280.67	15,360.85		7,080.18
Sub-station No. 1 building.....	417.08	135.31	\$281.77	
Main power house equipment.....	94,344.34	144,659.59		50,315.25
Sub-station No. 1 equipment.....	340.03	4.91	335.12	
Sub-station No. 2 equipment.....	1,022.57	71.07	951.50	

*2 months Federal Control, 6 months Guaranty Period, 4 months Private Operation.
**U. S. Railroad Administration, Hudson & Manhattan R. R.

EXHIBIT No. 4—Continued
CORPORATE AND FEDERAL COMBINED RAILROAD OPERATING REVENUES, EXPENSES
AND TAXES FOR THE YEAR ENDED DECEMBER 31st, 1920,
COMPARED WITH PREVIOUS YEAR

OPERATING EXPENSES—Continued	*1920	**1919	INCREASE	DECREASE
Power—Continued				
Sub-station No. 3 equipment.....	\$863.46	\$1,290.52		\$427.06
Depreciation of power plant buildings and equipment.....	55,677.92	35,677.92	\$20,000.00	
Wages main power house employees.....	178,705.60	165,437.66	13,267.94	
Fuel for main power house.....	443,710.17	483,647.66		39,937.49
Water for main power house.....	8,613.07	8,631.37		18.30
Lubricants for main power house.....	1,124.93	1,515.89		390.96
Miscellaneous supplies and expenses M. P. H.....	6,634.96	6,448.40	186.56	
Wages sub-station No. 1 employees.....	13,061.07	11,984.93	1,076.14	
Supplies and expenses sub-station No. 1.....	4,801.16	699.23	4,101.93	
Wages sub-station No. 2 employees.....	11,936.05	10,833.94	1,102.11	
Supplies and expenses sub-station No. 2.....	2,027.25	1,154.91	872.34	
Wages sub-station No. 3 employees.....	12,872.98	12,615.10	257.88	
Supplies and expenses sub-station No. 3.....	1,706.44	966.95	739.49	
Power purchased.....	102,995.59	1,262.00	101,733.59	
Power exchanged—Balance.....	4,022.00	2,932.00	6,954.00	
Other operations—Credit.....	85,878.67	Cr. 92,615.70	6,737.03	
TOTAL.....	\$875,958.44	\$818,750.05	\$57,208.39	
Transportation expenses:				
Superintendence.....	\$115,443.86	\$101,963.07	\$13,480.79	
Wages passenger motormen.....	167,330.27	178,738.57		\$11,408.30
Wages passenger conductors.....	132,951.85	135,289.08		2,337.23
Wages passenger trainmen.....	313,938.57	314,706.26		857.69
Wages other car service employees.....	65,723.56	80,234.79		14,511.23
Train supplies and expenses.....	26,656.17	19,387.83	7,268.34	
Wages station employees.....	371,292.18	340,492.33	30,799.85	
Station supplies and expenses.....	38,966.78	31,917.13	7,049.65	
Wages car house employees.....	156,072.31	156,394.26		321.95
Car house supplies and expenses.....	15,876.86	11,342.41	4,534.45	
Operating signal and interlocking systems.....	99,075.54	88,638.77	10,436.77	
Operating telephone system.....	6,259.59	6,277.81		18.22
Other transportation expenses.....	37,179.45	2,700.64	34,478.81	
TOTAL.....	\$1,546,766.99	\$1,468,172.95	\$78,594.04	
General expenses:				
Salaries and expenses of officers, clerks and office expenses.....	\$121,886.44	\$101,617.96	\$20,268.48	
General law expenses.....	28,862.93	8,389.12	20,473.81	
Stationery and printing.....	20,679.37	13,405.00	7,274.37	
Store expenses.....	13,417.51	15,112.38		\$1,694.87
Insurance.....	44,097.89	1,958.78	42,139.11	
Injuries and damages.....	76,945.84	22,749.16	54,196.68	
Law expenses in connection with damages.....	5,355.16	2,222.49	3,132.67	
Contributions to employees' benefit fund.....	2,320.32	3,152.57		832.25
Premiums on employees' group life insurance.....	8,599.27	7,711.16	888.11	
Miscellaneous general expenses.....	54,171.98	34,176.32	19,995.66	
Joint facility rentals.....	23,945.25	22,293.91	1,651.34	
TOTAL.....	\$400,281.96	\$232,788.85	\$167,493.11	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,908,532.21	\$3,472,383.53	\$436,148.68	
NET RAILROAD OPERATING REVENUE.....	\$2,929,737.21	\$2,658,334.31	\$271,402.90	
TAXES ON RAILROAD OPERATING PROPERTIES.....	415,353.70	369,278.26	46,075.44	
OPERATING INCOME.....	\$2,514,383.51	\$2,289,056.05	\$225,327.46	
RATIO OF OPERATING EXPENSES TO TOTAL OPERATING REVENUES.....	57.15%	56.64%	.51%	
RATIO OF OPERATING EXPENSES AND TAXES TO TOTAL OPERATING REVENUES.....	63.23%	62.66%	.57%	

*2 months Federal Control, 6 months Guaranty Period, 4 months Private Operation.

**U. S. Railroad Administration, Hudson & Manhattan R. R.

EXHIBIT No. 5

RAILROAD OPERATING STATISTICS FOR YEARS ENDED DECEMBER 31st, 1920 AND 1919

	*1920	**1919	INCREASE		DECREASE	
			Amount	Per cent.	Amount	Per cent.
MILES OF ROAD OPERATED.....	8.50	8.50				
NUMBER OF REVENUE CAR MILES OPERATED.....	9,131,614	9,275,286			143,672	1.55
PASSENGER REVENUE.....	\$6,355,928.83	\$5,747,297.84	\$608,630.99	10.59		
MISCELLANEOUS RAILROAD REVENUE.....	482,340.59	383,420.00	98,920.59	25.79		
GROSS RAILROAD OPERATING REVENUE.....	6,838,269.42	6,130,717.84	707,551.58	11.54		
OPERATING EXPENSES.....	3,908,532.21	3,472,383.53	436,148.68	12.56		
NET RAILROAD OPERATING REVENUE.....	2,929,737.21	2,658,334.31	271,402.90	10.22		
TAXES ON RAILROAD OPERATIONS.....	415,353.70	369,278.26	46,075.44	12.47		
NET INCOME FROM RAILROAD OPERATION.....	2,514,383.51	2,289,056.05	225,327.46	9.85		
Passenger Traffic:						
Number of passengers carried.....	91,171,529	94,102,461			2,930,932	3.12
Number of passengers carried per mile of road.....	10,726,062	11,070,877			344,815	3.11
Number of passengers per revenue car mile.....	9.98	10.15			.17	1.68
Revenue and Operating Expenses:						
Per mile of road—						
Passenger revenue.....	\$747,756.33	\$676,152.69	\$71,603.64	10.59		
Gross railroad operating revenue.....	804,502.28	721,260.92	83,241.36	11.54		
Operating expenses.....	459,827.32	408,515.71	51,311.61	12.56		
Net railroad operating revenue.....	344,674.96	312,745.21	31,929.75	10.22		
Taxes.....	48,865.14	43,444.50	5,420.64	12.47		
Net income from railroad operation.....	295,809.82	269,300.71	26,509.11	9.85		
Per revenue car mile—						
Passenger revenue.....	\$0.6960	\$0.6196	\$0.0764	12.33		
Gross railroad operating revenue.....	0.7488	0.6610	0.0878	13.28		
Operating expenses.....	0.4280	0.3744	0.0536	14.32		
Net railroad operating revenue.....	0.3208	0.2866	0.0342	11.93		
Taxes.....	0.0455	0.0398	0.0057	14.33		
Net income from railroad operation.....	0.2753	0.2468	0.0285	11.56		
Per passenger—						
Passenger revenue.....	0.0697	0.0614	0.0083	13.51		
Gross railroad operating revenue.....	0.0749	0.0651	0.0098	13.05		
Operating expenses.....	0.0428	0.0369	0.0059	15.97		
Net railroad operating revenue.....	0.0321	0.0282	0.0039	13.82		
Taxes.....	0.0045	0.0039	0.0006	15.38		
Net income from railroad operation.....	0.0276	0.0243	0.0033	13.57		

*2 months Federal Control, 6 months Guaranty Period, 4 months Private Operation.

**U. S. Railroad Administration, Hudson & Manhattan R. R.

EXHIBIT No. 6

MILEAGE OPERATED DURING 1920

MILES OF TRACK:

IN NEW YORK:

Main lines.....	6.317	
Sidings and crossovers.....	.774	
Total track in New York.....		7.091

IN NEW JERSEY:

Main lines.....	10.694	
Sidings and crossovers.....	.335	
Car yard and approach.....	1.908	
Total track in New Jersey.....		12.937
Total mileage all tracks.....		<u>20.028</u>

MILES OF ROAD:

In New York.....	3.15	
In New Jersey.....	5.35	
Total miles of road.....		<u>8.50</u>

EXHIBIT No. 7

DESCRIPTION OF CAR EQUIPMENT

Steel passenger cars with motors.....	226
Steel derrick car with motor.....	1
Flat cars.....	4

DIMENSIONS OF PASSENGER CARS:

Length over all.....	48 feet 0 inches
Width over all.....	8 " 11 $\frac{3}{8}$ "
Height over all.....	12 " 0 "
Seating capacity.....	44 persons



THIRTEENTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31st, 1921



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTEENTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1921

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HUDSON & MANHATTAN RAILROAD COMPANY

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

WILLIAM M. BARNUM	- -	New York City	JEROME J. HANAUER	- -	New York City
LEWIS L. CLARKE	- -	Elberon, N. J.	JOHN W. PLATTEN	- -	New York City
J. VIPOND DAVIES	- -	Flushing, N. Y.	OREN ROOT	- -	New York City
WILBUR C. FISK	- -	Newfoundland, N. J.	ALBERT H. WIGGIN	- -	New York City
		WILLIAM H. WILLIAMS	- -	Plainfield, N. J.	

GENERAL OFFICERS

	OREN ROOT	- - -	President		
J. VIPOND DAVIES,	Vice-Pres. and Chief Engineer		ROBERT C. GOODALE	- -	General Attorney
FLETCHER H. SILLICK	- - - Comptroller		CARL S. KLUMPP	-	General Superintendent
WESLEY S. TWIDDY,	- Treas. and Asst. Secty.		P. COMPTON MILLER	-	Real Estate Agent
ROBERT B. KAY	- Secty. and Asst. Treas.		HARRY W. WEBBER	- -	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST Co., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK CITY

New York, May 11, 1922.

To the Stockholders and Bondholders of the

HUDSON & MANHATTAN RAILROAD COMPANY

The following report is submitted for the year ended December 31, 1921:

As stated in previous reports, the property of your Company was taken over by the Government, acting through the Director General of Railroads, on December 28, 1917, and continued under Federal control to March 1, 1920. On June 4, 1919, an agreement was entered into with the Director General of Railroads covering compensation and other matters involved in the taking over of the property by the Government. The agreement provided that the Company should be paid an aggregate annual compensation of \$3,003,362.77. On June 24, 1921, an agreement was entered into with the Director General of Railroads for settlement of the claims of the Company, and under this agreement your Company received, over and above the compensation specified for rental, the sum of \$168,385.00 in settlement of its claim for under maintenance of the property while under Federal control.

In the report for last year reference was made to the Company's acceptance of the provisions of Section 209 of the Transportation Act, which guaranteed the operating income for the six months immediately succeeding the termination of Federal control, the amount of the guaranty (\$1,501,681.38) being one-half the annual compensation fixed under the agreement with the Director General of Railroads. Statements setting forth the claims of the Company were duly filed during the year 1921. However, the Interstate Commerce Commission has recently called upon all railroads having claims relating to the guaranty period to file them in a revised form, and the claims of your Company are now in process of preparation accordingly, and will be filed within a short time.

The burden of high taxes was still further increased during the year, the increase for 1921 on the railroad property being \$170,206.41, or 40.98% over 1920.

The continued growth of traffic necessitates additional cars. On December 30, 1921, order was placed for 25 new cars of the same type as those now in service, to be delivered during the early Fall of the current year. The cost of the new cars will be approximately \$515,000 or \$200,000 less than the cost of the same number of cars purchased in 1920.

A balance of 3% of cumulative interest remained unpaid at the date of the report for the year 1920. At a meeting of your Board on July 28, 1921, an installment of interest, payable October 1, 1921, was declared, amounting to 2½%, out of the surplus income for the six months ended June 30, 1921, thus still leaving a balance of 3% of cumulative interest unpaid, as of October 1, 1921. At a meeting of the Board on February 2, 1922, an installment of interest, payable April 1, 1922, was declared, amounting to 3½%, which represented the regular 2½% semi-annual payment and an additional 1% on account of the interest previously accumulated and unpaid. There now remains, therefore, 2% of accumulated interest unpaid.

The net income of your Company from railroad operations for the year 1921 was equal to 4.4% on the outstanding funded debt allocated to railroad operations.

Statement of Income, Balance Sheet, and other statistics are hereinafter submitted.

By order of the Board of Directors,

OREN ROOT,
President.

NEW YORK, MAY 10, 1922.

MR. OREN ROOT,
President.

DEAR SIR:

Submitted herewith will be found an Income Account, Condensed Balance Sheet and Profit and Loss Statement of Hudson & Manhattan Railroad Company, which I certify to be in conformity with the books, and to set forth correctly the financial condition of the Company at December 31st, 1921, and the results of the operations of the Company to that date.

Very truly yours,

FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1

INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31st, 1921
COMPARED WITH PREVIOUS YEAR

	1921	*1920	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$7,240,081.37	\$6,355,928.83‡	\$884,152.54‡	
Advertising.....	228,634.28	222,269.17	6,385.11	
Other car and station privileges.....	163,216.34	147,487.05	15,729.29	
Rent of buildings and other property.....	30,100.05	27,818.33	2,281.72	
Miscellaneous transportation revenue.....	14,702.40	12,587.00	2,115.40	
Other miscellaneous revenue.....	6,907.96	72,179.04		\$65,271.08
TOTAL RAILWAY REVENUE.....	\$7,683,662.40	\$6,838,269.42	\$845,392.98	
OPERATING EXPENSES:				
Maintenance of way and structures.....	\$635,508.15	\$599,335.25	\$36,172.90	
Maintenance of equipment.....	546,428.55	486,189.57	60,238.98	
Power.....	828,989.00	875,958.44		\$46,969.44
Transportation expenses.....	1,487,624.91	1,546,766.99		59,142.08
General expenses.....	460,973.80	400,281.96	60,691.84	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,959,524.41	\$3,908,532.21	\$50,992.20	
NET REVENUE FROM RAILROAD OPERATION.....	\$3,724,137.99	\$2,929,737.21	\$794,400.78	
TAXES ON RAILROAD OPERATING PROPERTIES.....	585,560.11	415,353.70	170,206.41	
RAILROAD OPERATING INCOME.....	\$3,138,577.88	\$2,514,383.51	\$624,194.37	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,029,192.28	1,032,432.36		\$3,240.08
OPERATING INCOME.....	\$4,167,770.16	\$3,546,815.87	\$620,954.29	
NON-OPERATING INCOME.....	245,714.92	217,739.07	27,975.85	
GROSS INCOME.....	\$4,413,485.08	\$3,764,554.94	\$648,930.14	
Income Deductions other than Bond Interest:				
Interest on real estate mortgages.....	\$44,143.55	\$43,773.59	\$369.96	
Rentals of track, yards and terminals.....	65,163.83	68,455.96		\$3,292.13
Amortization of debt discount.....	38,761.80	39,536.79		774.99
Miscellaneous deductions.....	109,957.24	194,522.62		84,565.38
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$258,026.42	\$346,288.96		\$88,262.54
NET INCOME APPLICABLE TO BOND INTEREST.....	\$4,155,458.66	\$3,418,265.98	\$737,192.68	
INTEREST ON FIRST LIEN & REF. 5's, FIRST MORTGAGE 4½'s AND N. Y. & J. 5's.....	2,168,535.00	2,168,535.00		
BALANCE.....	\$1,986,923.66	\$1,249,730.98	\$737,192.68	
APPROPRIATIONS TO RESERVE FOR CONTINGENCIES.....		653,000.00		\$653,000.00
	\$1,986,923.66	\$596,730.98		
INTEREST ON CUMULATIVE ADJUSTMENT INCOME 5% BONDS.....	\$1,655,100.00	\$1,655,100.00		
SURPLUS OR DEFICIT.....	\$331,823.66	Dr. \$1,058,369.02		

*2 months Federal Control, 6 months Guaranty Period, 4 months Private Operation.

‡NOTE—The loss in passenger fares in 1920 on account of the strike in April is estimated to be \$260,000.00.

EXHIBIT No. 2

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$122,069,670.83	
Less reserve for amortization.....	4,090,172.55	
		\$117,979,498.28
Amortization funds.....		1,806,307.75
Bond discount in process of amortization.....		3,448,987.03
<u>Working Assets</u>		
Current cash account.....	\$1,674,234.12	
Cash deposited to pay matured interest.....	92,565.00	
Investments.....	2,203,650.00	
Materials and supplies.....	307,992.33	
Accounts receivable.....	286,221.24	
Deposits with public departments.....	14,185.66	
Prepaid insurance, etc.	60,689.91	
		4,639,538.26
Unadjusted debits (Guaranty Period).....		323,942.31
Profit and loss, deficit.....		658,401.62
TOTAL, ASSETS.....		\$128,856,675.25

EXHIBIT No. 2

AS OF DECEMBER 31st, 1921

LIABILITIES

Common capital stock and scrip.....	\$39,994,890.00	
Preferred capital stock and scrip.....	5,242,151.25	
Stocks held to redeem outstanding securities of predecessor companies.....	12,908.75	\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	\$5,000,000.00	
First mortgage 4½% bonds.....	944,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
		76,567,233.66
Real estate mortgages.....		843,000.00
Readjustment reserve.....		477,922.48
Reserve for contingencies.....		1,547,466.93
<u>Working Liabilities</u>		
Accrued interest, etc., not yet due.....	\$972,267.23	
Accounts payable.....	308,359.29	
Matured interest payable.....	96,257.99	
Operating reserves.....	539,965.66	
Interest on adjustment income bonds, 3½% declared February 2d, 1922, payable April 1st, 1922.....	1,158,570.00	
		3,075,420.17
Unadjusted credits (Guaranty Period).....		433,642.01
Deferred interest on adjustment income bonds, being unpaid balance of 2%.....		662,040.00
TOTAL LIABILITIES.....		\$128,856,675.25

EXHIBIT No. 3

HUDSON & MANHATTAN RAILROAD COMPANY

PROFIT AND LOSS ACCOUNT DECEMBER 31, 1921

Balance, Deficit December 31st, 1920.....	\$990,225.28	
Surplus for year ended December 31st, 1921, as per income account.....		331,823.66
Balance, Deficit December 31st, 1921.....		658,401.62
	<u>\$990,225.28</u>	<u>658,401.62</u>
	<u>\$990,225.28</u>	<u>\$990,225.28</u>

EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31st, 1921

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb.1, Aug.1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb.1, Aug.1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb.1, Aug.1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



FOURTEENTH
ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1922



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

FOURTEENTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1922

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WILLIAM M. BARNUM	- -	New York City	JEROME J. HANAUER	- -	New York City
LEWIS L. CLARKE	- -	Elberon, N. J.	JOHN W. PLATTEN	- -	New York City
J. VIPOND DAVIES	- -	Flushing, N. Y.	OREN ROOT	- -	New York City
WILBUR C. FISK	- -	Newfoundland, N. J.	ALBERT H. WIGGIN	- -	New York City
		WILLIAM H. WILLIAMS	- -	Plainfield, N. J.	

GENERAL OFFICERS

		OREN ROOT	- -	- -	President
J. VIPOND DAVIES	Vice-Pres. and Chief Engineer		ROBERT C. GOODALE	- -	General Attorney
FLETCHER H. SILLICK	- -	Comptroller	CARL S. KLUMPP	-	General Superintendent
WESLEY S. TWIDDY	-	Treas. and Asst. Secty.	P. COMPTON MILLER	-	Real Estate Agent
ROBERT B. KAY	-	Secty. and Asst. Treas.	HARRY W. WEBBER	-	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST Co., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK CITY

New York, March 15, 1923.

To the Stockholders and Bondholders of the

HUDSON & MANHATTAN RAILROAD COMPANY

Your Board of Directors submits the following report for the year ended December 31, 1922.

At the beginning of the year there remained 2% of accumulated interest unpaid upon the Company's Adjustment Income Mortgage Bonds. On October 1, 1922, there was paid the regular semi-annual installment of $2\frac{1}{2}\%$, together with an additional 1% on account of the accumulated unpaid interest. On January 25, 1923, your Board of Directors declared as due and payable on April 1, 1923, the regular $2\frac{1}{2}\%$ semi-annual payment and an additional 1%, being the final installment of the cumulative unpaid interest.

In previous reports reference has been made to the Company's acceptance of the provisions of Section 209 of the Transportation Act, which guaranteed the operating income for the six months immediately following the termination of Federal Control on February 29, 1920. The Company's claim, in the revised form required by the Interstate Commerce Commission, was filed on May 31, 1922, and is now in process of examination by the Commission but as yet no settlement has been effected.

The passenger revenue has shown a satisfactory increase (3.5%) during 1922 and operating expenses have been slightly decreased. The net return, however, is still very much less than the 5.75% which the Interstate Commerce Commission has determined as a fair return upon the aggregate value of the railway property of carriers as defined in Section 15-A of the Interstate Commerce Act.

Taxes continued to increase. Taxes on railroad operating properties in 1922 increased \$87,332.25, or 14.9% over 1921. The increase in 1921 over 1920 was 40.98% and in 1920 over 1919 was 12.48%.

In the report for last year mention is made that, in order to care for the continued growth in traffic, an order was placed on December 30, 1921, for 25 new cars of the same type as those already in service. These cars were received from the builders in the Fall of 1922 and placed in service. The steady increase in traffic makes advisable a further increase in the rolling stock of the Company and your Board has recently authorized the purchase of an additional lot of 25 cars of the standard type. This equipment should be ready for service in the latter part of 1923.

The annual statement of income, balance sheet and other statistics are hereinafter submitted.

By order of the Board of Directors,

OREN ROOT,
President.

NEW YORK, MARCH 14, 1923

MR. OREN ROOT,
President.

DEAR SIR:

Submitted herewith will be found an Income Account, Condensed Balance Sheet and Profit and Loss Statement of Hudson & Manhattan Railroad Company, which I certify to be in conformity with the books, and to set forth correctly the financial condition of the Company at December 31, 1922, and the results of the operations of the Company to that date.

Very truly yours,

FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1

INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31, 1922
COMPARED WITH PREVIOUS YEAR

	1922	1921	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$7,495,845.56	\$7,240,081.37	\$255,764.19	
Advertising.....	191,255.47	228,654.28		\$37,398.81
Other car and station privileges.....	117,729.78	163,216.34		45,486.56
Rent of buildings and other property.....	30,100.05	30,100.05		
Miscellaneous transportation revenue.....	19,651.80	14,702.40	4,949.40	
Other miscellaneous revenue.....	7,837.05	6,907.96	929.09	
TOTAL RAILWAY REVENUE.....	7,862,419.71	7,683,662.40	178,757.31	
OPERATING EXPENSES:				
Maintenance of way and structures.....	628,087.20	635,508.15		7,420.95
Maintenance of equipment.....	481,517.77	546,428.55		64,910.78
Power.....	771,929.40	828,989.00		57,059.60
Transportation expenses.....	1,509,211.09	1,487,624.91	21,586.18	
General expenses.....	430,734.50	460,973.80		30,239.30
TOTAL RAILROAD OPERATING EXPENSES.....	3,821,479.96	3,959,524.41		138,044.45
NET REVENUE FROM RAILROAD OPERATION.....	4,040,939.75	3,724,137.99	316,801.76	
TAXES ON RAILROAD OPERATING PROPERTIES.....	672,892.36	585,560.11	87,332.25	
RAILROAD OPERATING INCOME.....	3,368,047.39	3,138,577.88	229,469.51	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,291,356.15	1,029,192.28	262,163.87	
OPERATING INCOME.....	4,659,403.54	4,167,770.16	491,633.38	
NON-OPERATING INCOME.....	264,154.12	245,714.92	18,439.20	
GROSS INCOME.....	4,923,557.66	4,413,485.08	\$10,072.58	
Income Deductions other than Bond Interest:				
Interest on real estate mortgages.....	47,629.07	44,143.55	3,485.52	
Rentals of track, yards and terminals.....	73,316.56	65,163.83	8,152.73	
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	104,484.23	109,957.24		5,473.01
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	264,191.66	258,026.42	6,165.24	
NET INCOME APPLICABLE TO BOND INTEREST.....	4,659,366.00	4,155,458.66	503,907.34	
INTEREST ON FIRST LIEN & REF. 5'S, FIRST MORTGAGE 4½'S AND N. Y. & J. 5'S.....	2,168,535.00	2,168,535.00		
BALANCE.....	2,490,831.00	1,986,923.66	503,907.34	
INTEREST ON CUMULATIVE ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS.....	\$835,731.00	\$331,823.66	\$503,907.34	

EXHIBIT No. 2

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$122,670,914.56	
Less reserve for amortization.....	4,646,664.01	
		\$118,024,250.55
Amortization funds.....		2,454,357.39
Insurance and casualty fund.....		280,000.00
Bond discount in process of amortization.....		2,904,384.37

Working Assets

Current cash account.....	1,145,294.46	
Cash deposited to pay matured interest.....	94,797.50	
Investments.....	2,203,650.00	
Materials and supplies.....	247,409.87	
Accounts receivable.....	334,128.24	
Deposits with public departments.....	14,185.66	
Prepaid insurance, etc.....	42,250.93	
		4,081,716.66
Unadjusted debits (Guaranty Period).....		326,815.94

TOTAL ASSETS.....		\$128,071,524.91
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EXHIBIT No. 2

AS OF DECEMBER 31, 1922

L I A B I L I T I E S

Common capital stock and scrip.....	\$39,994,890.00	
Preferred capital stock and scrip.....	5,242,151.25	
Stocks held to redeem outstanding securities of predecessor companies	12,908.75	\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	5,000,000.00	
First mortgage 4½% bonds.....	944,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
		76,567,233.66
Real Estate mortgages		798,000.00
Reserve for contingencies.....		1,517,800.45

Working Liabilities

Accrued interest, etc., not yet due	1,066,995.37	
Accounts payable.....	345,898.26	
Matured interest payable.....	97,890.49	
Operating reserves.....	693,515.37	
Interest on adjustment income bonds, 3½% declared January 25, 1923, payable April 1, 1923.....	1,158,570.00	
		3,362,869.49
Unadjusted credits (Guaranty Period)		391,753.53
Profit and Loss, Surplus.....		183,917.78
TOTAL LIABILITIES.....		\$128,071,524.91

EXHIBIT No. 3

HUDSON & MANHATTAN RAILROAD COMPANY

PROFIT AND LOSS ACCOUNT DECEMBER 31, 1922

Balance, Deficit December 31, 1921.....	\$658,401.62	
Surplus for year ended December 31, 1922, as per income account.....		\$835,731.00
Credit adjustments applicable to prior period		6,588.40
Balance, Surplus December 31, 1922.....	<u>183,917.78</u>	
	<u>\$842,319.40</u>	<u>\$842,319.40</u>

EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31, 1922

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



FIFTEENTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1923



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

FIFTEENTH ANNUAL REPORT

YEAR ENDED, DECEMBER 31, 1923

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WILLIAM M. BARNUM	-	-	New York City	WILLIAM H. WILLIAMS	-	Lyon Mountain, N. Y.
LEWIS L. CLARKE	-	-	Elberon, N. J.	ALBERT H. WIGGIN	-	New York City
JEROME J. HANAUER	-	-	New York City	OREN ROOT	-	New York City
JOHN W. PLATTEN	-	-	New York City	J. VIPOND DAVIES	-	Flushing, N. Y.
WM. HENRY BARNUM	-	-	New York City			

GENERAL OFFICERS

OREN ROOT	-	-	-	-	President
J. VIPOND DAVIES	-	-	-	-	Vice-Pres. and Chief Engineer
FLETCHER H. SILICK	-	-	-	-	Comptroller
WESLEY S. TWIDDY	-	-	-	-	Treas. and Asst. Secty.
ROBERT B. KAY	-	-	-	-	Secty. and Asst. Treas.
ROBERT C. GOODALE	-	-	-	-	General Attorney
CARL S. KLUMPP	-	-	-	-	General Superintendent
P. COMPTON MILLER	-	-	-	-	Real Estate Agent
HARRY W. WEBBER	-	-	-	-	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST Co., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK CITY

New York, March 15, 1924.

TO THE STOCKHOLDERS AND BONDHOLDERS OF THE
HUDSON & MANHATTAN RAILROAD COMPANY

The following report for the year ended December 31, 1923 is submitted:

On January 25, 1923, the Board of Directors declared the regular $2\frac{1}{2}\%$ semi-annual installment of interest on the company's Adjustment Income Mortgage 5% Bonds for the six months ended December 31, 1922, together with an additional 1% which was the final installment of the unpaid cumulative interest. On July 12, 1923, a declaration was made by the Board of Directors of the regular $2\frac{1}{2}\%$ semi-annual installment for the six months ended June 30, 1923, and on January 17, 1924 a declaration of the regular semi-annual interest for the six months ended December 31, 1923, was made.

On July 12, 1923, the Board of Directors declared Dividend No. 1 on the preferred capital stock of the company. This dividend was paid on August 15, 1923, to stockholders of record on August 1, 1923. On January 17, 1924, the semi-annual dividend of $2\frac{1}{2}\%$ was declared payable on February 15, 1924, to stockholders of record February 1, 1924.

While the net return from railroad operations showed a satisfactory increase during 1923 it was still very much less than the 5.75% determined by the Interstate Commerce Commission as a fair return upon the aggregate value of the railway property of carriers as defined in Section 15-A of the Interstate Commerce Act.

This Company's claim against the Government under Section 209 of the Transportation Act, (which guaranteed the operating income for the six months immediately following the termination of Federal Control on February 29th, 1920) has not been settled. It is anticipated that this matter will be disposed of in the near future.

The underground passageway connecting the stations of the Hudson & Manhattan Railroad and the Erie Railroad, in Jersey City, was planned and constructed as a temporary facility when the road was placed in operation in 1908, as at that time the Erie Railroad Company contemplated a change of location of its station. The number of passengers using this connecting passageway has increased to such an extent that in the morning and evening hours of heavy traffic there is congestion of movement between the two stations. This unsatisfactory condition has reached a point requiring an enlargement of these facilities. Construction work is under way and when completed, probably about the end of the year, will permit of removing the ticket and other booths from the present passageway, and will provide passageway capacity double that now existing for half the length, and will also furnish facilities for better distribution of passengers using the trains of this Company.

In order to provide adequate facilities for the continued growth in traffic an order was placed in February, 1923, for an additional 25 cars of the same type as those already in service. These cars have been received from the builders and have been placed in service.

Other important additions to the operating facilities during the year were:

Purchase and installation of 55,000 feet of high tension power cable to renew and supplement existing cable;

Purchase of one 3,000 kilowatt rotary converter for Sub-station No. 1 at Christopher and Greenwich Streets, New York;

Safety door-locks, electrical train starting signals in motormen's cabs, and other safety devices on all cars;

Purchase and installation of three high capacity air compressors at main power plant.

The policy of efficient maintenance of all physical property has been rigidly adhered to. In consequence, the tunnel, station, and other structures, and rolling stock, are in safe and satisfactory condition.

Mr. Wilbur C. Fisk, a director of the Company since 1908, having removed to Ohio and finding it impracticable to attend the meetings of the Board of Directors, tendered his resignation on January 17, 1924. Mr. Fisk's resignation was accepted with much regret and Mr. Wm. Henry Barnum was elected by the Board to fill the vacancy.

By order of the Board of Directors,

OREN ROOT,
President

NEW YORK, MARCH 15, 1924

MR. OREN ROOT,
President.

DEAR SIR:

Submitted herewith will be found an Income Account, Condensed Balance Sheet and Profit and Loss Statement of Hudson & Manhattan Railroad Company, which I certify to be in conformity with the books, and to set forth correctly the financial condition of the Company at December 31, 1923, and the results of the operations of the Company to that date.

Very truly yours,

FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31, 1923
COMPARED WITH PREVIOUS YEAR

	1923	1922	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$7,845,244.10	\$7,495,845.56	\$349,398.54	
Advertising.....	180,000.00	191,255.47		\$11,255.47
Other car and station privileges.....	113,372.35	117,729.78		4,357.43
Rent of buildings and other property.....	30,100.08	30,100.05	.03	
Miscellaneous transportation revenue.....	54,145.10	19,651.80	34,493.30	
Other miscellaneous revenue.....	5,661.32	7,837.05		2,175.73
TOTAL RAILWAY REVENUE.....	8,228,522.95	7,862,419.71	366,103.24	
OPERATING EXPENSES:				
Maintenance of way and structures.....	599,200.21	628,087.20		28,886.99
Maintenance of equipment.....	507,691.65	481,517.77	26,173.88	
Power.....	800,422.03	771,929.40	28,492.63	
Transportation expenses.....	1,549,473.22	1,509,211.09	40,262.13	
General expenses.....	438,212.73	430,734.50	7,478.23	
TOTAL RAILROAD OPERATING EXPENSES.....	3,894,999.84	3,821,479.96	73,519.88	
NET REVENUE FROM RAILROAD OPERATION.....	4,333,523.11	4,040,939.75	292,583.36	
TAXES ON RAILROAD OPERATING PROPERTIES.....	739,287.57	672,892.36	66,395.21	
RAILROAD OPERATING INCOME.....	3,594,235.54	3,368,047.39	226,188.15	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,553,953.68	1,291,356.15	262,597.53	
OPERATING INCOME.....	5,148,189.22	4,659,403.54	488,785.68	
NON-OPERATING INCOME.....	279,244.79	264,154.12	15,090.67	
GROSS INCOME.....	5,427,434.01	4,923,557.66	503,876.35	
Income Deductions other than Bond Interest:				
Interest on real estate mortgages.....	41,648.43	47,629.07		5,980.64
Rentals of track, yards and terminals.....	75,555.69	73,316.56	2,239.13	
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	91,478.16	104,484.23		13,006.07
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	247,444.08	264,191.66		16,747.58
NET INCOME APPLICABLE TO BOND INTEREST.....	5,179,989.93	4,659,366.00	520,623.93	
INTEREST ON FIRST LIEN & REF. 5'S, FIRST MORTGAGE 4½'S AND N. Y. & J. 5'S.....	2,168,535.00	2,168,535.00		
BALANCE.....	3,011,454.93	2,490,831.00	520,623.93	
INTEREST ON CUMULATIVE ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS.....	\$1,356,354.93	\$835,731.00	\$520,623.93	

EXHIBIT No. 2

CONDENSED BALANCE SHEET

A S S E T S

Property accounts.....	\$123,369,176.65	
Less reserve for amortization.....	<u>5,229,660.63</u>	\$118,139,516.02
Amortization funds.....		3,115,051.39
Insurance and casualty fund.....		400,000.00
Bond discount in process of amortization.....		2,840,892.93

Working Assets

Current cash account.....	1,061,937.08	
Cash deposited to pay matured interest.....	79,056.96	
Cash deposited to pay Preferred Dividend No. 1, as per contra.....	2,341.34	
Investments.....	2,200,837.50	
Materials and supplies.....	340,298.61	
Accounts receivable.....	378,212.21	
Deposits with public departments.....	14,185.66	
Prepaid insurance, etc.....	<u>50,049.62</u>	4,126,918.98
Unadjusted debits (Guaranty Period).....		350,260.98

TOTAL ASSETS.....		<u><u>\$128,972,640.30</u></u>
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EXHIBIT No. 2

AS OF DECEMBER 31, 1923

L I A B I L I T I E S

Common capital stock and scrip.....	\$39,994,890.00	
Preferred capital stock and scrip.....	5,242,151.25	
Stocks held to redeem outstanding securities of predecessor companies.....	12,908.75	
		\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	5,000,000.00	
First mortgage 4½% bonds.....	944,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
		76,567,233.66
Real Estate mortgages.....		653,000.00
Reserve for contingencies.....		1,514,233.24

Working Liabilities

Accrued interest, etc., not yet due.....	1,098,382.04	
Accounts payable.....	343,947.95	
Matured interest payable.....	81,525.49	
Operating reserves.....	807,298.85	
Interest on adjustment income bonds, 2½% declared January 17, 1924, payable April 1, 1924.....	827,550.00	
Preferred Dividend No. 1, balance payable per contra.....	2,341.34	
		3,161,045.67
Unadjusted credits (Guaranty Period).....		417,910.96
Profit and Loss, Surplus.....		1,409,266.77
TOTAL LIABILITIES.....		<u>\$128,972,640.30</u>

EXHIBIT No. 3

HUDSON & MANHATTAN RAILROAD COMPANY

PROFIT AND LOSS ACCOUNT, DECEMBER 31, 1923

Balance, Surplus December 31, 1922.....		\$ 183,917.78
Dividend No. 1 on Preferred Capital stock, declared July 12, 1923 paid August 15, 1923 to stockholders of record August 1, 1923.....	\$ 131,005.94	
Surplus for year ended December 31, 1923 as per income account.....		1,356,354.93
Balance, Surplus December 31, 1923.....	<u>1,409,266.77</u>	
	<u>\$1,540,272.71</u>	<u>\$1,540,272.71</u>

EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31, 1923

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



SIXTEENTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1924



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

SIXTEENTH ANNUAL REPORT

YEAR ENDED, DECEMBER 31, 1924

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WILLIAM M. BARNUM	- -	New York City	WILLIAM H. WILLIAMS	-	Lyon Mountain, N. Y.
LEWIS L. CLARKE	- -	Elberon, N. J.	ALBERT H. WIGGIN	- -	New York City
JEROME J. HANAUER	- -	New York City	OREN ROOT	- - -	New York City
JOHN W. PLATTEN	- -	New York City	J. VIPOND DAVIES	- - -	Flushing, N. Y.
WM. HENRY BARNUM	- -	New York City			

GENERAL OFFICERS

	OREN ROOT	- - - - -	President		
J. VIPOND DAVIES,	Vice-Pres. and Chief Engineer		ROBERT C. GOODALE	- -	General Attorney
FLETCHER H. SILICK	- - - Comptroller		CARL S. KLUMPP	-	General Superintendent
WESLEY S. TWIDDY	- Treas. and Asst. Secty.		P. COMPTON MILLER	-	Real Estate Agent
ROBERT B. KAY	- Secty. and Asst. Treas.		HARRY W. WEBBER	-	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST Co., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK CITY

New York, N. Y. March 16th 1925.

TO THE STOCKHOLDERS AND BONDHOLDERS OF THE
HUDSON & MANHATTAN RAILROAD COMPANY

The following report for the year ended December 31, 1924, is submitted:

On January 17, 1924, the Board of Directors declared the regular $2\frac{1}{2}\%$ semi-annual interest on the Company's Adjustment Income Mortgage 5% bonds for the six months ended December 31, 1923. On July 24, 1924, a declaration was made by the Board of Directors of the regular $2\frac{1}{2}\%$ semi-annual installment for the six months ended June 30, 1924, and on January 22, 1925, a declaration of the regular semi-annual interest of $2\frac{1}{2}\%$ for the six months ended December 31, 1924, was made.

On January 17, 1924, the Board of Directors declared dividend No. 2 of $2\frac{1}{2}\%$ on the Preferred Capital Stock of the Company, payable February 15, 1924, to stockholders of record February 1, 1924, and on July 24, 1924, semi-annual dividend No. 3 of $2\frac{1}{2}\%$ was declared payable August 15, 1924, to stockholders of record August 4, 1924. On January 22, 1925, semi-annual dividend No. 4. of $2\frac{1}{2}\%$ was declared payable on February 16, 1925, to stockholders of record February 4, 1925.

At the request of holders of a large amount of the Company's Stock, both the preferred and common shares were listed on the New York Stock Exchange October 22, 1924.

In previous reports reference has been made to our acceptance of the provisions of Section 209 of the Transportation Act, 1920, which guaranteed the operating income for the six months immediately following the termination of Federal Control on February 29, 1920. This matter has now been adjusted without payment by or to the Company.

The net return from railroad operations, while showing an increase for 1924, continues much below the rate of 5.75% which, as mentioned in previous reports, was determined by the Interstate Commerce Commission as a fair return upon the aggregate value of the railway property of carriers as defined in section 15-A of the Interstate Commerce Act.

Work of enlargement of the station and passageway facilities at Erie Station, referred to in the report for 1923, has been completed. The new sections are in use and provide material improvement in the handling of traffic through Erie Station.

As a result of strict adherence to the policy of efficient maintenance, the tunnel, station and other structures, and the plant and equipment remain in safe and satisfactory condition.

By order of the Board of Directors,

OREN ROOT,
President

NEW YORK, MARCH 16TH, 1925

MR. OREN ROOT
President.

DEAR SIR:

Submitted herewith will be found an Income Account, Condensed Balance Sheet and Profit and Loss Statement of Hudson & Manhattan Railroad Company, which I certify to be in conformity with the books, and to set forth correctly the financial condition of the Company at December 31, 1924, and the results of the operations of the Company to that date.

Very truly yours,

FLETCHER H. SILLICK,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31, 1924
COMPARED WITH PREVIOUS YEAR

	1924	1923	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$8,002,785.48	\$7,845,244.10	\$157,541.38	
Advertising.....	180,000.00	180,000.00		
Other car and station privileges.....	116,837.92	113,372.35	3,465.57	
Rent of buildings and other property.....	30,100.08	30,100.08		
Miscellaneous transportation revenue.....	57,383.70	54,145.10	3,238.60	
Other miscellaneous revenue.....	6,727.48	5,661.32	1,066.16	
TOTAL RAILWAY REVENUE.....	8,393,834.66	8,228,522.95	165,311.71	
OPERATING EXPENSES:				
Maintenance of way and structures.....	551,418.59	599,200.21		\$47,781.62
Maintenance of equipment.....	474,885.64	507,691.65		32,806.01
Power.....	747,981.59	800,422.03		52,440.44
Transportation expenses.....	1,578,988.52	1,549,473.22	29,515.30	
General expenses.....	448,031.93	438,212.73	9,819.20	
TOTAL RAILROAD OPERATING EXPENSES.....	3,801,306.27	3,894,999.84		93,693.57
NET REVENUE FROM RAILROAD OPERATION.....	4,592,528.39	4,333,523.11	259,005.28	
TAXES ON RAILROAD OPERATING PROPERTIES.....	856,702.70	739,287.57	117,415.13	
RAILROAD OPERATING INCOME.....	3,735,825.69	3,594,235.54	141,590.15	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,620,388.03	1,553,953.68	66,434.35	
OPERATING INCOME.....	5,356,213.72	5,148,189.22	208,024.50	
NON-OPERATING INCOME.....	296,396.78	279,244.79	17,151.99	
GROSS INCOME.....	5,652,610.50	5,427,434.01	225,176.49	
Income Deductions other than Bond Interest:				
Interest on real estate mortgages.....	35,615.00	41,648.43		6,033.43
Rentals of track, yards and terminals.....	72,201.41	75,555.69		3,354.28
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	86,641.14	91,478.16		4,837.02
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	233,219.35	247,444.08		14,224.73
NET INCOME APPLICABLE TO BOND INTEREST.....	5,419,391.15	5,179,989.93	239,401.22	
INTEREST ON FIRST LIEN & REF. 5's, FIRST MORTGAGE 4½'s AND N. Y. & J. 5's.....	2,168,535.00	2,168,535.00		
BALANCE.....	3,250,856.15	3,011,454.93	239,401.22	
INTEREST ON CUMULATIVE ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS.....	\$1,595,756.15	\$1,356,354.93	\$239,401.22	

EXHIBIT No. 2

CONDENSED BALANCE SHEET

A S S E T S

Property accounts.....	\$124,306,991.55	
Less reserve for amortization.....	<u>5,713,498.04</u>	\$118,593,493.51
Amortization funds.....		3,796,183.34
Insurance and casualty fund.....		520,000.00
Bond discount in process of amortization.....		2,774,563.50

Working Assets

Current cash account.....	2,183,911.68	
Cash deposited to pay matured interest.....	64,177.50	
Cash deposited to pay Preferred Dividend No. 1, as per contra.....	2,807.37	
Investments.....	1,530,793.75	
Materials and supplies.....	307,143.56	
Accounts receivable.....	355,663.30	
Deposits with public departments.....	14,185.66	
Prepaid insurance, etc.....	<u>30,421.94</u>	4,489,104.76

TOTAL ASSETS.....	<u><u>\$130,173,345.11</u></u>
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EXHIBIT No. 2

AS OF DECEMBER 31, 1924

LIABILITIES

Common capital stock and scrip.....	\$39,994,945.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	<u>12,066.25</u>	\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	5,000,000.00	
First mortgage 4½% bonds.....	944,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	<u>33,102,000.00</u>	
		76,567,233.66
Real Estate mortgages.....		653,000.00
Reserve for contingencies.....		1,500,779.21
Operating reserves.....		<u>986,999.62</u>

Working Liabilities

Accrued interest, etc., not yet due.....	1,174,933.11	
Accounts payable.....	312,589.60	
Matured interest payable.....	64,783.79	
Interest on adjustment income bonds, 2½% declared January 22, 1925, payable April 1, 1925.....	827,550.00	
Preferred Dividend No. 1, balance payable per contra.....	<u>2,807.37</u>	
		2,382,663.87
Items in Suspense—Net.....		10,092.99
Profit and Loss, Surplus.....		<u>2,822,625.76</u>
TOTAL LIABILITIES.....		<u><u>\$130,173,345.11</u></u>

EXHIBIT No. 3

HUDSON & MANHATTAN RAILROAD COMPANY

PROFIT AND LOSS ACCOUNT, DECEMBER 31, 1924

Balance, Surplus December 31, 1923.....	\$ 1,409,266.77
Credit adjustments applicable to prior period.....	79,641.86
Dividends No. 2 and 3 on Preferred Capital Stock paid February 15, 1924 and August 15, 1924.....	\$ 262,039.02
Surplus income for year ended December 31, 1924 as per income account.....	1,595,756.15
Balance, Surplus December 31, 1924.....	<u>2,822,625.76</u>
	<u>\$3,084,664.78</u> <u>\$3,084,664.78</u>

EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31, 1924

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage.....	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½ % bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



SEVENTEENTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDING DECEMBER 31, 1925



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

SEVENTEENTH ANNUAL REPORT

YEAR ENDED, DECEMBER 31, 1925

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WILLIAM M. BARNUM - - - New York City	WILLIAM H. WILLIAMS - Lyon Mountain, N. Y.
LEWIS L. CLARKE - - - Elberon, N. J.	ALBERT H. WIGGIN - - - New York City
JEROME J. HANAUER - - - New York City	OREN ROOT - - - - New York City
JOHN W. PLATTEN - - - New York City	J. VIPOND DAVIES - - - Flushing, N. Y.
WM. HENRY BARNUM - - New York City	

GENERAL OFFICERS

OREN ROOT - - - - - President	
J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	THOMAS G. ANTHONY - Asst. to President
THOMAS N. WILLINS - - - Comptroller	FRANK I. TENNYSON - Asst. Comptroller
ROBERT C. GOODALE - - General Attorney	CARL S. KLUMPP - General Superintendent
WESLEY S. TWIDDY - Treas. and Asst. Secty.	ROBERT B. KAY - Secty. & Asst. Treasurer
P. COMPTON MILLER - Real Estate Agent	HARRY W. WEBBER - Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST Co., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, NEW YORK CITY

New York, N. Y., March 16, 1926.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY

The following report for the year ending December 31, 1925, is submitted:

During the year the regular declarations of semi-annual interest on the Company's Adjustment Income Mortgage 5% Bonds were made, as well as the regular declarations of semi-annual dividends at the rate of 5% per annum on the Preferred Capital Stock.

On April 9, 1925, the Board of Directors declared an initial dividend of one and one-fourth ($1\frac{1}{4}$) per cent. on the Common Capital Stock, payable June 1, 1925, and on October 22, 1925, a similar dividend was declared, payable December 1, 1925.

In the reports for the years 1920 and 1922 reference was made to the large increases in taxes. This burden continues to grow heavier. In the year 1920 taxes on the railroad property amounted to \$415,353.70; in 1921 to \$585,560.11; in 1922 to \$672,892.36; in 1923 to \$739,287.57; in 1924 to \$856,702.70; and in 1925 they reached \$936,618.26. Thus this item of expense has increased \$521,264.56, or more than 125% in the past five years. To illustrate the extent of the tax burden, it will be seen that in 1925 taxes equalled 10.79% of the gross revenue from railroad operations.

The net return from railroad operations in 1925 increased but the rate of return is much below 5.75%, the rate established by the Interstate Commerce Commission as a fair return upon the value of the property as defined in Section 15-A of the Interstate Commerce Act.

The Journal Square Station in Jersey City, and the tracks, yard, and other appurtenances, are owned by the Pennsylvania Railroad Company and used jointly by the two companies under an agreement made in 1906. The steady increase in traffic to and from that station, as well as to and from points west thereof, has necessitated correspondingly increased train service, which has reached a stage requiring enlarged station, yard, and track facilities at Journal Square. The portion of the cost chargeable to the Hudson & Manhattan Railroad Company is estimated at \$1,030,000. Of this amount, about \$420,000 will be paid as the work proceeds. The remainder will be capitalized by the Pennsylvania Railroad and the interest charged to the Hudson & Manhattan Railroad. When these improvements are completed and put in service, the operating conditions will be materially improved.

There has been no change in the policy of maintaining the property at the highest standard. In consequence, the tunnel, station and other structures, and all plant and equipment, are in a safe, efficient, and satisfactory condition.

By order of the Board of Directors,

OREN ROOT,
President.

NEW YORK, MARCH 16, 1926.

MR. OREN ROOT,
President.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1925, an Income Account and a Profit & Loss Statement for the year ended that date, which I certify are in accord with the books and correctly set forth respectively, the financial condition of the company at December 31, 1925, and the results of its operations for the year.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31, 1925
COMPARED WITH PREVIOUS YEAR

	1925	1924	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$8,126,547.03	\$8,002,785.48	\$ 123,761.55	
Advertising.....	210,000.00	180,000.00	30,000.00	
Other car and station privileges.....	248,828.49	116,837.92	131,990.57	
Rent of buildings and other property.....	30,100.08	30,100.08		
Miscellaneous transportation revenue.....	58,738.20	57,383.70	1,354.50	
Other miscellaneous revenue.....	5,896.80	6,727.48		\$ 830.68
TOTAL RAILWAY REVENUE.....	8,680,110.60	8,393,834.66	286,275.94	
OPERATING EXPENSES:				
Maintenance of way and structures.....	566,483.43	551,418.59	15,064.84	
Maintenance of equipment.....	465,035.53	474,885.64		9,850.11
Power.....	728,352.46	747,981.59		19,629.13
Transportation expenses.....	1,582,705.95	1,578,988.52	3,717.43	
General expenses.....	405,083.99	448,031.93		42,947.94
TOTAL RAILROAD OPERATING EXPENSES.....	3,747,661.36	3,801,306.27		53,644.91
NET REVENUE FROM RAILROAD OPERATION.....	4,932,449.24	4,592,528.39	339,920.85	
TAXES ON RAILROAD OPERATING PROPERTIES.....	936,618.26	856,702.70	79,915.56	
RAILROAD OPERATING INCOME.....	3,995,830.98	3,735,825.69	260,005.29	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,520,059.74	1,620,388.03		100,328.29
OPERATING INCOME.....	5,515,890.72	5,356,213.72	159,677.00	
NON-OPERATING INCOME.....	308,956.72	296,396.78	12,559.94	
GROSS INCOME.....	5,824,847.44	5,652,610.50	172,236.94	
Income Deductions other than Bond Interest:				
Interest on real estate mortgages.....	15,079.41	35,615.00		20,535.59
Rentals of track, yards and terminals.....	69,925.09	72,201.41		2,276.32
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	88,421.49	86,641.14	1,780.35	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	212,187.79	233,219.35		21,031.56
NET INCOME APPLICABLE TO BOND INTEREST.....	5,612,659.65	5,419,391.15	193,268.50	
INTEREST ON FIRST LIEN & REF. 5's, FIRST MORTGAGE 4 1/8s AND N. Y. & J. 5's.....	2,168,535.00	2,168,535.00		
BALANCE.....	3,444,124.65	3,250,856.15	193,268.50	
INTEREST ON CUMULATIVE ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS.....	\$1,789,024.65	\$1,595,756.15	\$ 193,268.50	

EXHIBIT No. 2

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$124,514,946.56	
Less reserve for amortization.....	<u>6,214,242.38</u>	
		\$118,300,704.18
Amortization funds.....		4,244,862.29
Insurance and casualty fund.....		580,000.00
Bond discount in process of amortization.....		2,706,398.25
<u>Working Assets</u>		
Current cash account.....	1,569,948.62	
Cash deposited to pay matured interest.....	75,407.50	
Cash deposited to pay Dividends.....	3,959.20	
Investments.....	1,732,731.26	
Accounts receivable.....	365,278.23	
Materials and supplies.....	279,615.54	
Deposits with public departments.....	18,457.00	
Prepaid insurance, rents and taxes.....	<u>68,073.91</u>	
		4,113,471.26
Items in Suspense—Net.....		18,200.02
TOTAL ASSETS.....		<u><u>\$129,963,636.00</u></u>

EXHIBIT No. 2

AS OF DECEMBER 31, 1925

LIABILITIES

Common capital stock and scrip.....	\$39,994,945.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	<u>12,066.25</u>	\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	5,000,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
First mortgage 4½% bonds.....	<u>944,000.00</u>	76,567,233.66
Real Estate mortgages.....		75,000.00
Reserve for contingencies.....		1,363,263.92
Operating reserves.....		<u>1,007,294.78</u>
<u>Working Liabilities</u>		
Accrued interest, rents and taxes, not yet due.....	1,168,747.89	
Accounts payable.....	264,921.95	
Matured interest payable.....	75,853.79	
Interest on adjustment income bonds, 2½% declared February 11, 1926, payable April 1, 1926.....	827,550.00	
Preferred Dividends payable.....	135,029.64	
Common Dividends payable.....	<u>3,408.57</u>	
		2,475,511.84
Profit and Loss, Surplus.....		<u>3,225,381.80</u>
TOTAL LIABILITIES.....		<u>\$129,963,636.00</u>

EXHIBIT No. 3

HUDSON & MANHATTAN RAILROAD COMPANY

PROFIT AND LOSS ACCOUNT, DECEMBER 31, 1925

Balance, Surplus December 31, 1924.....		\$2,822,625.76
Credit adjustments applicable to prior period.....		6,399.88
Dividends Nos. 4, 5 and 6 on Preferred Capital Stock payable February 16, 1925, August 15, 1925, and February 15, 1926..	\$ 392,923.39	
Dividends Nos. 1 and 2 on Common Capital Stock payable June 1, 1925, and December 1, 1925.....	999,745.10	
Surplus income for year ended December 31, 1925 as per income account.....		1,789,024.65
Balance, Surplus December 31, 1925.....	<u>3,225,381.80</u>	
	<u>\$4,618,050.29</u>	<u>\$4,618,050.29</u>

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1925

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage..	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



EIGHTEENTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDING DECEMBER 31, 1926



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

EIGHTEENTH ANNUAL REPORT

YEAR ENDED, DECEMBER 31, 1926

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WILLIAM M. BARNUM*	- - New York City	WILLIAM H. WILLIAMS	- Lyon Mountain, N. Y.
LEWIS L. CLARKE	- - - Elberon, N. J.	ALBERT H. WIGGIN	- - - - New York City
JEROME J. HANAUER	- - - New York City	OREN ROOT	- - - - - New York City
JOHN W. PLATTEN	- - - - New York City	J. VIPOND DAVIES	- - - - Flushing, N. Y.
	WM. HENRY BARNUM	- - - New York City	

*Deceased October 5, 1926.

GENERAL OFFICERS

	OREN ROOT	- - - - - President	
J. VIPOND DAVIES,	Vice-Pres. and Chief Engineer	THOMAS G. ANTHONY	- - Asst. to President
THOMAS N. WILLINS	- - - - Comptroller	FRANK I. TENNYSON	- - Asst. Comptroller
CARL S. KLUMPP	- - General Superintendent	P. COMPTON MILLER	- - Real Estate Agent
WESLEY S. TWIDDY	- Treas. and Asst. Secty.	ROBERT B. KAY	- - Secty. & Asst. Treasurer
	HARRY W. WEBBER	- - Purchasing Agent	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST Co., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 CHURCH STREET, New York City

New York, N. Y., March 24, 1927.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY

The following report for the year ending December 31, 1926, is submitted:

During the year the usual dividend at the rate of 5% per annum on the preferred capital stock was paid, as well as semi-annual dividends at the rate of 2½% per annum on the common capital stock.

As shown in the report for the year 1925, taxes on railroad property increased from \$415,353.70 in 1920 to \$936,618.26 in 1925, an increase in excess of 125% in the five-year period. In 1926 taxes reached \$1,005,612.17, equivalent to 11.4% of gross revenue from railroad operations.

Work on the enlarged station, yard and track facilities at Journal Square Station, Jersey City, the necessity for which was set forth in the previous report, is proceeding. A new westbound main track through the station was placed in partial operation during the year, and while the full benefit of it will not be realized until the other yard and track improvements are further advanced, even in its present stage the effect of the new track has been a material reduction in the congestion of train movement through the station, and from time to time as other sections of the work are completed and placed in operation, the advantages will become more manifest.

Journal Square Station has become the hub of a rapidly growing residential and business section of Jersey City. In 1920 the traffic through that station was 15,900,000; in 1926 it reached 26,500,000, an increase of about 67%. The public authorities have recognized the growing importance of this station, and during the year a large public plaza adjacent to the station was completed and put in use, and several of the main thoroughfares leading to the plaza have been widened to care for the growing traffic. In addition, the county authorities completed a massive reinforced concrete bridge, having a width of more than 200 feet, replacing a smaller steel structure over our station. This new bridge and the plaza furnish terminal facilities for the various independently owned bus lines that serve as feeders of your road.

Traffic during the year 1926 was the heaviest in the Company's history, but due to continued adherence to the policy of maintaining the tunnels, stations and other structures, and all plant and equipment in the highest state of efficiency, the business was expeditiously handled.

Your Board records with deep sorrow the death, on October 5, 1926, of one of its most valued members, Mr. William M. Barnum. Mr. Barnum was closely identified with this Company from its inception and on account of his great personal charm and exceptional ability his loss will be long felt by all his associates.

By order of the Board of Directors,

OREN ROOT,

President.

NEW YORK, MARCH 24, 1927.

MR. OREN ROOT,
President.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1926, an Income Account and a Profit & Loss Statement for the year ended that date, which I certify are in accord with the books and correctly set forth respectively, the financial condition of the company at December 31, 1926, and the results of its operations for the year.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31, 1926
COMPARED WITH PREVIOUS YEAR

	1926	1925	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$8,253,005.69	\$8,126,547.03	\$ 126,458.66	
Advertising.....	240,000.00	210,000.00	30,000.00	
Other car and station privileges.....	267,146.49	248,828.49	18,318.00	
Rent of buildings and other property.....	30,100.08	30,100.08		
Miscellaneous transportation revenue.....	59,329.90	58,738.20	591.70	
Other miscellaneous revenue.....	6,095.62	5,896.80	198.82	
TOTAL RAILWAY REVENUE.....	\$8,855,677.78	\$8,680,110.60	\$ 175,567.18	
OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 532,509.01	\$ 566,483.43		\$ 33,974.42
Maintenance of equipment.....	457,500.94	465,035.53		7,534.59
Power.....	720,510.51	728,352.46		7,841.95
Transportation expenses.....	1,586,263.85	1,582,705.95	\$ 3,557.90	
General expenses.....	334,014.17	405,083.99		71,069.82
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,630,798.48	\$3,747,661.36		\$ 116,862.88
NET REVENUE FROM RAILROAD OPERATION.....	\$5,224,879.30	\$4,932,449.24	\$ 292,430.06	
TAXES ON RAILROAD OPERATING PROPERTIES.....	1,005,612.17	936,618.26	68,993.91	
RAILROAD OPERATING INCOME.....	\$4,219,267.13	\$3,995,830.98	\$ 223,436.15	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,569,139.33	1,520,059.74	49,079.59	
OPERATING INCOME.....	\$5,788,406.46	\$5,515,890.72	\$ 272,515.74	
NON-OPERATING INCOME.....	351,422.74	308,956.72	42,466.02	
GROSS INCOME.....	\$6,139,829.20	\$5,824,847.44	\$ 314,981.76	
Income Deductions other than Bond Interest:				
Interest on real estate mortgages.....	\$ 3,750.00	\$ 15,079.41		\$ 11,329.41
Rentals of track, yards and terminals.....	69,306.89	69,925.09		618.20
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	90,106.03	88,421.49	\$ 1,684.54	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 201,924.72	\$ 212,187.79		\$ 10,263.07
NET INCOME APPLICABLE TO BOND INTEREST.....	\$5,937,904.48	\$5,612,659.65	\$ 325,244.83	
INTEREST ON FIRST LIEN & REF. 5's, FIRST MORTGAGE 4½s AND N. Y. & J. 5's.....	\$2,168,535.00	\$2,168,535.00		
BALANCE	\$3,769,369.48	\$3,444,124.65	\$ 325,244.83	
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS.....	\$2,114,269.48	\$1,789,024.65	\$ 325,244.83	

EXHIBIT No. 2

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$124,609,792.10	
Less reserve for amortization.....	6,627,850.78	
		\$117,981,941.32
Amortization funds.....		4,809,319.62
Insurance and casualty fund.....		580,000.00
Bond discount in process of amortization.....		2,635,618.62

Working Assets

Current cash account.....	\$1,404,825.73	
Cash deposited to pay matured interest.....	61,427.50	
Cash deposited to pay dividends.....	4,875.86	
Investments	2,550,205.68	
Accounts receivable.....	362,327.79	
Materials and supplies.....	288,226.74	
Deposits with public departments.....	18,457.00	
Prepaid insurance, rents and taxes.....	96,095.47	
		4,786,441.77
Items in suspense—Net.....		31,158.91

TOTAL ASSETS.....		\$130,824,480.24
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EXHIBIT No. 2

AS OF DECEMBER 31, 1926

LIABILITIES

Common capital stock and scrip.....	\$39,994,945.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	12,066.25	
		\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	\$5,000,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
First mortgage 4½% bonds.....	944,000.00	
		76,567,233.66
Real estate mortgage.....		75,000.00
Operating reserves.....		953,917.69
Working Liabilities		
Accrued interest, rents and taxes, not yet due.....	\$1,219,298.16	
Accounts payable.....	275,232.84	
Matured interest payable.....	61,748.79	
Interest on adjustment income bonds, 2½% declared February 10, 1927, payable April 1, 1927.....	827,550.00	
Preferred dividends payable.....	136,214.16	
Common dividends payable.....	5,348.40	
		2,525,392.35
Profit and loss, Surplus.....		5,452,986.54
TOTAL LIABILITIES.....		<u>\$130,824,480.24</u>

EXHIBIT No. 3

HUDSON & MANHATTAN RAILROAD COMPANY
PROFIT AND LOSS ACCOUNT, DECEMBER 31, 1926

Balance, Surplus December 31, 1925.....		\$3,225,381.80
Additions:		
Surplus income for the year ended December 31, 1926, as per income account		2,114,269.48
Balance transferred from Reserve for Contingencies.....		1,363,263.92
Net adjustments applicable to prior period.....		11,927.63
Total.....		<u>\$6,714,842.83</u>
Deductions:		
Dividends Nos. 7 and 8 on Preferred Capital Stock, payable August 16, 1926 and February 15, 1927.....	\$262,081.14	
Dividends Nos. 3 and 4 on Common Capital Stock, payable June 1, 1926 and December 1, 1926.....	999,775.15	\$1,261,856.29
Balance, Surplus December 31, 1926.....		<u><u>\$5,452,986.54</u></u>

EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31, 1926

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage..	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage....	{ 1,000 } { 500 } { 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 } { 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



NINETEENTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1927



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY
NINETEENTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1927

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

LEWIS L. CLARKE - - - -	Elberon, N. J.	ALBERT H. WIGGIN - - - -	New York City
JEROME J. HANAUER - - - -	New York City	OREN ROOT - - - - -	New York City
JOHN W. PLATTEN - - - -	New York City	J. VIPOND DAVIES - - - -	Flushing, N. Y.
WILLIAM H. WILLIAMS -	Lyon Mountain, N. Y.	WM. HENRY BARNUM - - - -	New York City
H. HOBART PORTER - - - -		New York City	

GENERAL OFFICERS

OREN ROOT - - - - -		President	
J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	THOMAS G. ANTHONY - - -		Asst. to President
THOMAS N. WILLINS - - - -	Comptroller	P. COMPTON MILLER - - -	Real Estate Agent
CARL S. KLUMPP - - -	General Superintendent	ROBERT B. KAY - - -	Secty. & Asst. Treasurer
WESLEY S. TWIDDY -	Treas. and Asst. Secty.	HARRY W. WEBBER - - -	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST Co., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

New York, N. Y., March 22, 1928.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report for the year ended December 31, 1927, is submitted:

Semi-annual dividends at the rate of 5% per annum on the preferred capital stock and at the rate of $2\frac{1}{2}\%$ per annum on the common capital stock were paid.

In preceding reports mention was made of the steady increase in taxes. The increase continued in 1927. Taxes on the railroad operating properties reached a total of \$1,059,413.02, which is \$53,800.85 in excess of similar charges in 1926 and is equivalent to 11.7% of gross revenue from railroad operation. Compared with the year 1920, the increase is \$644,059.32, or 155%.

Work of enlargement of the station, car storage yard and track facilities at Journal Square, Jersey City, has progressed. The yard and track work, including signal and interlocking apertenances, is practically completed, and the increased capacity which it provides has been in use since January 15, 1928, and fully justifies itself. Reconstruction and enlargement of the station should be completed during the current year.

To care for the steady growth of traffic, 16 new cars were bought and placed in the New York-Newark joint rapid transit service during the year. Of this number, 12 cars were contributed by the Pennsylvania Railroad Company and 4 by your Company. In addition, order was placed for 20 new cars for the local service in November, 1927, and these cars are now under construction. When they are received it will represent an increase of 50% in local car equipment since 1920.

Voluntary wage increases averaging about 5% in the aggregate, were made during the year.

The Holland Tunnels (vehicular tunnels) under the Hudson River, between New York City and Jersey City, were opened to the public on November 12, 1927, and during the first 13 weeks an average of 19,011 vehicles used the tunnels daily. During this period there was no indication that the opening of these tunnels had had any appreciable effect upon the traffic of Hudson & Manhattan Railroad.

On February 17, 1928, a line of passenger buses, in direct competition with the Hudson & Manhattan Railroad, started operation through the Holland Tunnels between Journal Square, Jersey City, and two terminals in New York City; one at 9th Street and Broadway, and the other at 31st Street and 6th Avenue. To and from 9th Street the bus fare is 15 cents, and to and from 31st Street it is 25 cents, or 10 tickets for \$2.00. At the present time the buses are carrying at the rate of approximately 1,500,000 passengers per annum, but the inauguration of the service is of too recent date to permit of a conclusion as to the effect it will have on the business of your Company.

There has been no deviation from the established policy of maintaining the tunnels, stations, structures, plants and equipments at a high state of efficiency.

By order of the Board of Directors.

OREN ROOT,
President.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
—AND IN—

LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

30 BROAD STREET

NEW YORK

CERTIFICATE

We have made an audit of the accounts of the Hudson & Manhattan Railroad Company for the year ended December 31, 1927; have checked from original sources of entry all receipts and expenditures and all items entering into the income and profit and loss accounts; have examined the entries in capital accounts; and have made an independent verification of the cash balances and securities owned at December 31, 1927, and

WE HEREBY CERTIFY that in our opinion the accompanying condensed balance sheet at December 31, 1927, and Statements of income and profit and loss for the year ended that date are correct.

HASKINS & SELLS

NEW YORK, FEBRUARY 14, 1928.

NEW YORK, MARCH 22, 1928.

MR. OREN ROOT,
President.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1927, also an Income Account and a Profit & Loss Statement for the year ended that date.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31, 1927
COMPARED WITH PREVIOUS YEAR

	1927	1926	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$8,461,953.82	\$8,253,005.69	\$208,948.13	
Advertising	240,000.00	240,000.00		
Other car and station privileges.....	273,424.69	267,146.49	6,278.20	
Rent of buildings and other property.....	32,500.08	30,100.08	2,400.00	
Miscellaneous transportation revenue.....	59,296.00	59,329.90		\$ 33.90
Other miscellaneous revenue.....	6,337.63	6,095.62	242.01	
TOTAL RAILWAY REVENUE.....	\$9,073,512.22	\$8,855,677.78	\$217,834.44	
OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 538,123.21	\$ 532,509.01	\$ 5,614.20	
Maintenance of equipment.....	471,601.07	457,500.94	14,100.13	
Power	766,265.69	720,510.51	45,755.18	
Transportation expenses.....	1,637,744.63	1,586,263.85	51,480.78	
General expenses.....	371,303.40	334,014.17	37,289.23	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,785,038.00	\$3,630,798.48	\$154,239.52	
NET REVENUE FROM RAILROAD OPERATION.....	\$5,288,474.22	\$5,224,879.30	\$ 63,594.92	
TAXES ON RAILROAD OPERATING PROPERTIES.....	1,059,413.02	1,005,612.17	53,800.85	
RAILROAD OPERATING INCOME.....	\$4,229,061.20	\$4,219,267.13	\$ 9,794.07	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,535,546.50	1,569,139.33		\$33,592.83
OPERATING INCOME.....	\$5,764,607.70	\$5,788,406.46		\$23,798.76
NON-OPERATING INCOME.....	400,838.92	351,422.74	\$ 49,416.18	
GROSS INCOME.....	\$6,165,446.62	\$6,139,829.20	\$ 25,617.42	
Income Deductions other than Bond Interest:				
Interest on real estate mortgage.....	\$ 3,750.00	\$ 3,750.00		
Rentals of tracks, yards and terminals.....	71,018.45	69,306.89	\$ 1,711.56	
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	90,398.95	90,106.03	292.92	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 203,929.20	\$ 201,924.72	\$ 2,004.48	
NET INCOME APPLICABLE TO BOND INTEREST.....	\$5,961,517.42	\$5,937,904.48	\$ 23,612.94	
INTEREST ON FIRST LIEN & REF. 5's, FIRST MORTGAGE 4½s AND N. Y. & J. 5's.....	2,168,535.00	2,168,535.00		
BALANCE	\$3,792,982.42	\$3,769,369.48	\$ 23,612.94	
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS	\$2,137,882.42	\$2,114,269.48	\$ 23,612.94	

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT, DECEMBER 31, 1927

Balance, Surplus December 31, 1926.....		\$5,452,986.54
Additions:		
Surplus income for the year ended December 31, 1927, as per income account		2,137,882.42
Total		<u>\$7,590,868.96</u>
Deductions:		
Dividends Nos. 9 and 10 on Preferred Capital Stock, payable August 15, 1927 and February 15, 1928.....	\$262,082.50	
Dividends Nos. 5 and 6 on Common Capital Stock, payable June 1, 1927 and December 1, 1927.....	999,803.22	
Net adjustments applicable to prior periods.....	<u>162,159.00</u>	<u>1,424,044.72</u>
Balance, Surplus December 31, 1927.....		<u><u>\$6,166,824.24</u></u>

EXHIBIT No. 3

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$125,058,132.26	
Less reserve for amortization.....	7,279,481.29	
		\$117,778,650.97
Amortization funds.....		5,403,348.42
Insurance and casualty fund.....		580,000.00
Bond discount in process of amortization.....		2,562,598.05

Working Assets

Current cash account.....	\$ 990,179.28	
Cash deposited to pay matured interest.....	31,290.00	
Cash deposited to pay dividends.....	6,062.10	
Investments	3,481,462.98	
Accounts receivable.....	318,180.86	
Materials and supplies.....	315,260.45	
Deposits with public departments.....	9,625.00	
Prepaid insurance, rents and taxes.....	76,890.41	
		5,228,951.08

TOTAL ASSETS.....		<u>\$131,553,548.52</u>
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EXHIBIT No. 3

AS OF DECEMBER 31, 1927

LIABILITIES

Common capital stock and scrip.....	\$39,995,385.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	11,626.25	
		<hr/>
		\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	\$5,000,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
First mortgage 4½% bonds.....	944,000.00	
		<hr/>
		76,567,233.66
Real estate mortgage.....		75,000.00
Operating reserves.....		934,534.52

Working Liabilities

Accrued interest, rents and taxes, not yet due.....	\$1,231,400.39	
Accounts payable.....	304,967.23	
Matured interest payable.....	31,548.79	
Interest on adjustment income bonds, 2½% declared February 9, 1928, payable April 1, 1928.....	827,550.00	
Preferred dividends payable.....	137,601.52	
Common dividends payable.....	7,497.60	
		<hr/>
		2,540,565.53
Items in suspense—Net.....		19,440.57
Profit and loss, Surplus.....		6,166,824.24
TOTAL LIABILITIES.....		<hr/> <hr/>
		\$131,553,548.52

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1927

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage..	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage....	$\left\{ \begin{array}{l} 1,000 \\ 500 \\ 100 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Union Trust Co. of N. Y.
Adjustment Income Mortgage.....	$\left\{ \begin{array}{l} 1,000 \\ 500 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



TWENTIETH
ANNUAL REPORT
OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1928



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

TWENTIETH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1928

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

LEWIS L. CLARKE	- - - - Elberon, N. J.	ALBERT H. WIGGIN	- - - - New York City
JEROME J. HANAUER	- - - - New York City	OREN ROOT	- - - - - New York City
JOHN W. PLATTEN	- - - - New York City	J. VIPOND DAVIES	- - - - Flushing, N. Y.
WILLIAM H. WILLIAMS	- Lyon Mountain, N. Y.	WM. HENRY BARNUM	- - - - New York City
	H. HOBART PORTER	- - - - New York City	

GENERAL OFFICERS

	OREN ROOT	- - - - - President	
J. VIPOND DAVIES,	Vice-Pres. and Chief Engineer	THOMAS G. ANTHONY	- - Asst. to President
THOMAS N. WILLINS	- - - - Comptroller	P. COMPTON MILLER	- - Real Estate Agent
CARL S. KLUMPP	- - - - General Manager	ROBERT B. KAY	- - Secty. & Asst. Treasurer
WESLEY S. TWIDDY	- Treas. and Asst. Secty.	HARRY W. WEBBER	- - Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co., 140 Broadway, New York City

TRANSFER AGENTS

UNITED STATES MORTGAGE & TRUST Co., 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

New York, N. Y., February 28, 1929.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report for the year ended December 31, 1928, is submitted:

The regular semi-annual payments of dividends were made, at the rate of 5% per annum on the preferred capital stock and 2½% per annum on the common capital stock.

The work of reconstructing and enlarging the station at Journal Square, Jersey City, has progressed to a stage permitting the partial use of the new work and from time to time as additional portions of the structure are ready they will be put in operation. The work proceeds relatively slowly due to the necessity for maintaining safe and uninterrupted train service through the station while the old structure is being partially removed and reconstructed and the new portions added.

The twenty new cars ordered in November, 1927, were received in August, 1928, and placed in service.

In the report for the year 1927 mention was made of the opening of the Holland (vehicular) Tunnels on November 12, 1927, and the inauguration of a line of passenger buses, via these tunnels, between Jersey City and two terminals in New York City. Various other passenger bus lines between points in New Jersey and New York City have since started operation. Some of these buses use the ferries to cross the Hudson River and others use the Holland Tunnels. While the owners of the bus lines operating between New Jersey and New York do not make reports to the public authorities as to the number of passengers transported, your Company has made periodic checks of this traffic which indicates that the total number of passengers handled is between 5,000,000 and 6,000,000 per annum. The traffic of Hudson & Manhattan Railroad Company decreased 1,352,707 passengers in 1928 compared with 1927, and this decrease is largely attributable to the competition afforded by the buses.

In 1920 an agreement was entered into with the New York Edison Company to supply the electric power required in the operation of the Hudson & Manhattan Railroad. Effective January 1, 1929, this contract was terminated and a new and more advantageous agreement with the New York Edison Company entered into.

The tunnels, stations, structures, plants and equipments have been, as heretofore, maintained at a high state of efficiency.

By order of the Board of Directors.

OREN ROOT,
President.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

15 BROAD STREET
NEW YORK

CERTIFICATE

We have made an audit of the accounts of the Hudson & Manhattan Railroad Company for the year ended December 31, 1928; have checked from original sources of entry all receipts and expenditures and all items entering into the income and profit and loss accounts; have examined the entries in capital accounts; and have made an independent verification of the cash balances and securities owned at December 31, 1928, and

WE HEREBY CERTIFY that in our opinion the accompanying condensed balance sheet at December 31, 1928, and statements of income and profit and loss for the year ended that date are correct.

HASKINS & SELLS

NEW YORK, FEBRUARY 20, 1929.

NEW YORK, FEBRUARY 21, 1929.

MR. OREN ROOT,
President.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1928, also an Income Account and a Profit & Loss Statement for the year ended that date.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR YEAR ENDED DECEMBER 31, 1928
COMPARED WITH PREVIOUS YEAR

	1928	1927	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$8,315,431.50	\$8,461,953.82		\$146,522.32
Advertising	240,000.00	240,000.00		
Other car and station privileges.....	274,534.66	273,424.69	\$ 1,109.97	
Rent of buildings and other property.....	32,500.08	32,500.08		
Miscellaneous transportation revenue.....	59,343.56	59,296.00	47.56	
Other miscellaneous revenue.....	3,698.49	6,337.63		2,639.14
TOTAL RAILROAD REVENUES.....	\$8,925,508.29	\$9,073,512.22		\$148,003.93
OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 597,884.23	\$ 538,123.21	\$ 59,761.02	
Maintenance of equipment.....	520,174.79	471,601.07	48,573.72	
Power	757,323.85	766,265.69		\$ 8,941.84
Transportation expenses.....	1,681,282.78	1,637,744.63	43,538.15	
General expenses.....	350,515.10	371,303.40		20,788.30
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,907,180.75	\$3,785,038.00	\$122,142.75	
NET REVENUE FROM RAILROAD OPERATION.....	\$5,018,327.54	\$5,288,474.22		\$270,146.68
TAXES ON RAILROAD OPERATING PROPERTIES.....	1,008,958.29	1,059,413.02		50,454.73
RAILROAD OPERATING INCOME.....	\$4,009,369.25	\$4,229,061.20		\$219,691.95
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,554,682.69	1,535,546.50	\$19,136.19	
OPERATING INCOME.....	\$5,564,051.94	\$5,764,607.70		\$200,555.76
NON-OPERATING INCOME.....	399,231.42	400,838.92		1,607.50
GROSS INCOME.....	\$5,963,283.36	\$6,165,446.62		\$202,163.26
Income Deductions other than Bond Interest:				
Interest on real estate mortgage.....	\$ 937.50	\$ 3,750.00		\$ 2,812.50
Rentals of tracks, yards and terminals.....	69,962.11	71,018.45		1,056.34
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	88,930.36	90,398.95		1,468.59
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 198,591.77	\$ 203,929.20		\$ 5,337.43
NET INCOME APPLICABLE TO BOND INTEREST.....	\$5,764,691.59	\$5,961,517.42		\$196,825.83
INTEREST ON FIRST LIEN & REF. S's, FIRST MORTGAGE 4½s AND N. Y. & J. S's.....	2,168,535.00	2,168,535.00		
BALANCE	\$3,596,156.59	\$3,792,982.42		\$196,825.83
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS	\$1,941,056.59	\$2,137,882.42		\$196,825.83

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT, DECEMBER 31, 1928

Balance, Surplus December 31, 1927.....		\$6,166,824.24
Additions:		
Surplus income for the year ended December 31, 1928, as per income account		1,941,056.59
Total		\$8,107,880.83
Deductions:		
Dividends Nos. 11 and 12 on Preferred Capital Stock, payable August 15, 1928, and February 15, 1929.....	\$262,048.94	
Dividends Nos. 7 and 8 on Common Capital Stock, payable June 1, 1928, and December 1, 1928.....	999,815.69	
Net adjustments applicable to prior periods.....	20,282.59	1,282,147.22
Balance, Surplus December 31, 1928.....		<u>\$6,825,733.61</u>

EXHIBIT No. 3

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$125,618,436.04	
Less reserve for amortization.....	7,849,472.77	
		\$117,768,963.27
Amortization funds.....		6,035,047.63
Insurance and casualty fund.....		580,000.00
Bond discount in process of amortization.....		2,489,680.33

Working Assets

Current cash account.....	\$ 724,060.61	
Cash deposited to pay matured interest.....	58,180.00	
Cash deposited to pay dividends.....	5,515.31	
Investments	3,654,131.37	
Accounts receivable.....	328,454.87	
Materials and supplies.....	314,446.06	
Deposits with public departments.....	9,625.00	
Prepaid insurance, rents and taxes.....	77,510.58	
		5,171,923.80

TOTAL ASSETS.....	\$132,045,615.03
-------------------	------------------

EXHIBIT No. 3

AS OF DECEMBER 31, 1928

LIABILITIES

Common capital stock and scrip.....	\$39,995,385.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	11,626.25	
		<u>\$45,249,950.00</u>
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	\$5,000,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
First mortgage 4½% bonds.....	944,000.00	
		<u>76,567,233.66</u>
Operating reserves.....		901,961.24
Working Liabilities		
Accrued interest, rents and taxes, not yet due.....	\$1,158,406.09	
Accounts payable.....	247,555.68	
Matured interest payable.....	58,438.79	
Interest on adjustment income bonds, 2½% declared February 14, 1929, payable April 1, 1929.....	827,550.00	
Preferred dividends payable.....	138,931.56	
Common dividends payable.....	18,139.19	
		<u>2,449,021.31</u>
Items in suspense—Net.....		51,715.21
Profit and loss, Surplus.....		6,825,733.61
TOTAL LIABILITIES.....		<u><u>\$132,045,615.03</u></u>

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1928

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage..	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	U. S. Mortgage & Trust Co.
First Lien and Refunding Mortgage....	$\left\{ \begin{array}{l} 1,000 \\ 500 \\ 100 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Union Trust Co. of N. Y.
Adjustment Income Mortgage.....	$\left\{ \begin{array}{l} 1,000 \\ 500 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



TWENTY-FIRST

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1929



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

TWENTY-FIRST ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1929

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

LEWIS L. CLARKE - - - -	Elberon, N. J.	ALBERT H. WIGGIN - - - -	New York City
JEROME J. HANAUER - - - -	New York City	OREN ROOT - - - - -	New York City
JOHN W. PLATTEN - - - -	New York City	J. VIPOND DAVIES - - - -	Flushing, N. Y.
WILLIAM H. WILLIAMS -	Lyon Mountain, N. Y.	WM. HENRY BARNUM - - - -	New York City
H. HOBART PORTER - - - -		New York City	

GENERAL OFFICERS

OREN ROOT - - - - -		President	
J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	THOMAS G. ANTHONY - -	Asst. to President	
THOMAS N. WILLINS - - - -	Comptroller	P. COMPTON MILLER - -	Real Estate Agent
CARL S. KLUMPP - - - - -	General Manager	ROBERT B. KAY - -	Secty. & Asst. Treasurer
WESLEY S. TWIDDY -	Treas. and Asst. Secty.	HARRY W. WEBBER - -	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 55 Cedar Street, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 14, 1930.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report for the year ended December 31, 1929, is submitted:

Regular semi-annual payments of dividends, at the rate of 5% per annum, were made on the preferred capital stock. Two dividends were paid on the common capital stock—one of one and one-fourth per cent. on June 1st, and the other of one and three-fourths per cent. on December 2nd.

In order to establish wage scales comparable with those of other transportation companies operating similar service in this territory, voluntary wage increases, averaging about 2.8 per cent., were made.

In the annual report for 1928 reference was made to a new and more advantageous agreement with the New York Edison Company for the supply of electric power required in the operation of the railroad. This agreement runs to 1940 with an option of renewal for a further period of ten years. In view of this provision for the supply of power, the machinery in the main generating station of the Hudson & Manhattan Railroad was no longer required nor could it be economically operated in the future. Therefore, the plant was dismantled, the obsolete machinery sold, and the undepreciated portion of its cost, amounting to approximately \$810,000, was charged off during the year to profit and loss surplus account, obviating further charges to depreciation on this apparatus.

In previous reports mention has been made of the work of reconstructing and enlarging the station and track facilities at Journal Square, Jersey City. This work has all been completed and placed in use. The improvement is not only of material benefit and convenience to passengers of the community served by the station, but the increased facilities, permitting as they do more expeditious and efficient operation, are reflected over the road as a whole. In designing the new station space was provided on the concourse for leasing purposes, and practically all of this space has been placed under lease at satisfactory rentals.

Owners of bus lines operating between New York and New Jersey do not report to any public authority the number of passengers carried, and, in consequence, no definite information is available, but estimates based on periodic checks indicate that the total bus traffic in 1929, via the Holland Tunnels and the several ferries, was about 6,500,000. Of this traffic about 723,000 passengers were transported by bus lines operating to and from points outside of the New Jersey suburban district and only remotely, if at all, competitive with your road. Of the remaining bus traffic, not all consisted of passengers who, in the absence of buses, would have used your road. A large number would have otherwise used the steam trains and ferries as they did prior to the operation of buses, and if the increase in bus traffic continues to be no greater than the present figures indicate, the proportion of the total business diverted from your road (which handled approximately 112,000,000 passengers in 1929) will not be a serious factor.

All property, including the tunnels, stations, structures, plants, rolling stock, and equipments, have been maintained in the same state of efficiency as heretofore.

By order of the Board of Directors,

OREN ROOT,
President.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

— AND IN —
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

15 BROAD STREET
NEW YORK

CERTIFICATE

We have made an audit of the accounts of the Hudson & Manhattan Railroad Company for the year ended December 31, 1929; have checked from original sources of entry all receipts and expenditures and all items entering into the income and profit and loss accounts; have examined the entries in capital accounts; and have made an independent verification of the cash balances and securities owned at December 31, 1929, and

WE HEREBY CERTIFY that in our opinion the accompanying condensed balance sheet at December 31, 1929, and statements of income and profit and loss for the year ended that date are correct.

HASKINS & SELLS

NEW YORK, FEBRUARY 10, 1930.

NEW YORK, FEBRUARY 21, 1930.

MR. OREN ROOT,
President.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1929, also an Income Account and a Profit & Loss Statement for the year ended that date.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1929,
COMPARED WITH PREVIOUS YEAR

	1929	1928	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$8,294,277.40	\$8,315,431.50		\$ 21,154.10
Advertising	240,000.00	240,000.00		
Other car and station privileges.....	286,356.61	274,534.66	\$11,821.95	
Rent of buildings and other property.....	58,155.77	32,500.08	25,655.69	
Miscellaneous transportation revenue.....	82,346.00	59,343.56	23,002.44	
Other miscellaneous revenue.....	3,520.77	3,698.49		177.72
TOTAL RAILROAD REVENUES.....	\$8,964,656.55	\$8,925,508.29	\$39,148.26	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	540,898.51	\$ 597,884.23		\$ 56,985.72
Maintenance of equipment.....	526,789.06	520,174.79	\$ 6,614.27	
Power	657,293.40	757,323.85		100,030.45
Transportation expenses.....	1,712,007.35	1,681,282.78	30,724.57	
General expenses.....	363,786.75	350,515.10	13,271.65	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,800,775.07	\$3,907,180.75		\$106,405.68
NET REVENUE FROM RAILROAD OPERATION.....	\$5,163,881.48	\$5,018,327.54	\$145,553.94	
TAXES APPLICABLE TO RAILROAD OPERATION.....	950,433.58	1,008,958.29		\$ 58,524.71
RAILROAD OPERATING INCOME.....	\$4,213,447.90	\$4,009,369.25	\$204,078.65	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,613,990.59	1,554,682.69	59,307.90	
OPERATING INCOME.....	\$5,827,438.49	\$5,564,051.94	\$263,386.55	
NON-OPERATING INCOME.....	442,221.44	399,231.42	42,990.02	
GROSS INCOME.....	\$6,269,659.93	\$5,963,283.36	\$306,376.57	
Income Deductions other than Bond Interest:				
Interest on real estate mortgage.....		\$ 937.50		\$ 937.50
Rentals of tracks, yards and terminals.....	\$69,659.92	69,962.11		302.19
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	90,393.10	88,930.36	\$ 1,462.74	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$198,814.82	\$ 198,591.77	\$ 223.05	
NET INCOME APPLICABLE TO BOND INTEREST.....	\$6,070,845.11	\$5,764,691.59	\$306,153.52	
INTEREST ON FIRST LIEN & REF. 5's, FIRST MORTGAGE 4½s AND N. Y. & J. 5's	2,168,535.00	2,168,535.00		
BALANCE	\$3,902,310.11	\$3,596,156.59	\$306,153.52	
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS FOR THE YEAR.....	\$2,247,210.11	\$1,941,056.59	\$306,153.52	

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1929

Balance, Surplus December 31, 1928.....		\$6,825,733.61
Additions:		
Surplus income for the year ended December 31, 1929, as per income account		2,247,210.11
Total		\$9,072,943.72
Deductions:		
Dividends Nos. 13 and 14 on Preferred Capital Stock, payable August 15, 1929, and February 15, 1930	\$262,057.77	
Dividends Nos. 9 and 10 on Common Capital Stock, payable June 1, 1929 (1.25%), and December 2, 1929 (1.75%).....	1,199,785.27	
Cost of main power plant equipment retired, less accrued depreciation, etc.	809,877.24	
Net adjustments applicable to prior periods.....	2,842.91	2,274,563.19
Balance, Surplus December 31, 1929.....		<u>\$6,798,380.53</u>

EXHIBIT No. 3

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$124,382,074.22	
Less reserve for amortization.....	7,919,298.79	
		\$116,462,775.43
Amortization funds.....		6,659,679.42
Insurance and casualty fund.....		580,000.00
Bond discount in process of amortization.....		2,410,807.53

Working Assets

Current cash account.....	\$ 703,632.15	
Cash deposited to pay matured interest.....	48,122.50	
Cash deposited to pay dividends.....	7,004.11	
Investments	4,152,600.12	
Accounts receivable.....	328,974.25	
Materials and supplies.....	299,838.89	
Deposits with public departments.....	9,625.00	
Prepaid insurance, rents and taxes.....	84,093.09	
		5,633,890.11

TOTAL ASSETS.....		\$131,747,152.49
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EXHIBIT No. 3

AS OF DECEMBER 31, 1929

LIABILITIES

Common capital stock and scrip.....	\$39,995,385.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	11,626.25	
		<hr/>
		\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	\$5,000,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
First mortgage 4½% bonds.....	944,000.00	
		<hr/>
		76,567,233.66
Operating reserves.....		771,538.71
Working Liabilities		
Accrued interest, rents and taxes, not yet due.....	\$1,070,830.54	
Accounts payable.....	225,192.41	
Matured interest payable.....	48,381.29	
Interest on adjustment income bonds, 2½% declared January 23, 1930, payable April 1, 1930.....	827,550.00	
Preferred dividends payable.....	138,080.90	
Common dividends payable.....	22,376.05	
		<hr/>
		2,332,411.19
Items in suspense—Net.....		27,638.40
Profit and loss, Surplus.....		6,798,380.53
		<hr/>
TOTAL LIABILITIES.....		\$131,747,152.49

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1929

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage..	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	Chemical Bank & Trust Co.
First Lien and Refunding Mortgage....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

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1930 - 1950



TWENTY-SECOND
/ANNUAL REPORT
OF
|Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1930



TWENTY-SECOND

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1930



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

TWENTY-SECOND ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1930

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

LEWIS L. CLARKE - - - -	Elberon, N. J.	ALBERT H. WIGGIN - - - -	New York City
JEROME J. HANAUER - - -	New York City	WM. HENRY BARNUM - - - -	New York City
JOHN W. PLATTEN - - - -	New York City	H. HOBART PORTER - - - -	New York City
WILLIAM H. WILLIAMS -	Lyon Mountain, N. Y.	ARTHUR BRISBANE - - - -	New York City
C. D. EMMONS - - - -		New York City	

GENERAL OFFICERS

C. D. EMMONS - - - - -		President	
J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	THOMAS G. ANTHONY - - - -	Asst. to President	
THOMAS N. WILLINS - - - -	Comptroller	PAUL SHEPARD - - - - -	Asst. Comptroller
CARL S. KLUMPP - - - - -	General Manager	P. COMPTON MILLER - - -	Real Estate Agent
WESLEY S. TWIDDY -	Treas. and Asst. Secty.	ROBERT B. KAY - - -	Secty. & Asst. Treasurer
HARRY W. WEBBER - - -		Purchasing Agent	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 16, 1931.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report for the year ended December 31, 1930, is submitted:

Regular semi-annual payments of dividends, at the rate of 5% per annum, were made on the preferred capital stock, and semi-annual dividends, at the rate of 3½% per annum, were paid on the common capital stock.

The agreement with the New York Edison Company for the supply of electric power, was modified, effective as of January 1, 1930, and under the provisions of the modification your Company should receive power under more advantageous terms than heretofore.

In 1929 the total number of passengers transported was 112,300,000, and in 1930 the total was 106,700,000, a decrease of 5%, and railroad operating revenue decreased 3.6%. At the same time retrenchment of 3.6% was effected in railroad operating expenses. The decrease in revenue passengers was occasioned by the prevailing business depression and the consequent increase in unemployment, which has naturally resulted in a decrease in the number of people riding, not only to and from business, but also to and from the shopping and theatre districts, etc.

At the meeting of the Board of Directors on May 8, Mr. Oren Root tendered his resignation as President of the Company, and as a member of the Board, to take effect September 1, 1930. Mr. Root had been a Director of your Company since January, 1917; its President since September, 1919, and he assumed active management of the property upon its release from Federal Control on March 1, 1920. The announcement of his intended retirement was received by the Board of Directors with genuine regret and expressions of appreciation of the valuable services he had rendered during his association with the Company. On July 10, Mr. Charles D. Emmons was elected by the Board of Directors to succeed Mr. Root as President and as a member of the Board, effective September 1, 1930.

On June 26, Mr. J. Vipond Davies tendered his resignation as a member of the Board of Directors, which was accepted with much regret, and Mr. Arthur Brisbane was elected to fill the vacancy.

The policy of efficient maintenance of all property has been strictly adhered to and the tunnels, stations, structures, plants, rolling stock and equipment, are in excellent operating condition.

Your Board takes this opportunity to record its appreciation of the loyalty, zeal and efficiency manifested by the officers and employees during the year, as a result of which the road was operated with singular freedom from serious accident or interruption.

By order of the Board of Directors.

C. D. EMMONS,
President.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY
—
CABLE ADDRESS "HASKSELLS"

15 BROAD STREET
NEW YORK

C E R T I F I C A T E

HUDSON & MANHATTAN RAILROAD COMPANY:

We have audited your accounts for the year ended December 31, 1930; have checked from original sources of entry all receipts and expenditures and all items entering into the income and profit and loss accounts; have examined the entries in capital accounts; and have made an independent verification of the cash balances and securities owned at December 31, 1930, and

WE HEREBY CERTIFY that in our opinion the accompanying condensed balance sheet at December 31, 1930, and statements of income and profit and loss for the year ended that date are correct.

HASKINS & SELLS

NEW YORK, FEBRUARY 13, 1931.

NEW YORK, FEBRUARY 16, 1931.

MR. C. D. EMMONS,
President.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1930, also an Income Account and a Profit & Loss Statement for the year ended that date.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1930,
COMPARED WITH PREVIOUS YEAR

	1930	1929	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$7,839,597.56	\$8,294,277.40		\$454,679.84
Advertising	290,000.00	240,000.00	\$50,000.00	
Other car and station privileges.....	308,758.14	286,356.61	22,401.53	
Rent of buildings and other property.....	84,500.08	58,155.77	26,344.31	
Miscellaneous transportation revenue.....	111,344.78	82,346.00	28,998.78	
Other miscellaneous revenue.....	5,142.93	3,520.77	1,622.16	
TOTAL RAILROAD REVENUES.....	\$8,639,343.49	\$8,964,656.55		\$325,313.06
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$508,725.20	\$540,898.51		\$32,173.31
Maintenance of equipment.....	484,230.16	526,789.06		42,558.90
Power	629,761.85	657,293.40		27,531.55
Transportation expenses.....	1,683,196.37	1,712,007.35		28,810.98
General expenses.....	359,564.95	363,786.75		4,221.80
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,665,478.53	\$3,800,775.07		\$135,296.54
NET REVENUE FROM RAILROAD OPERATION.....	\$4,973,864.95	\$5,163,881.48		\$190,016.52
TAXES APPLICABLE TO RAILROAD OPERATION.....	969,924.29	950,433.58	\$19,490.71	
RAILROAD OPERATING INCOME.....	\$4,003,940.67	\$4,213,447.90		\$209,507.23
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,671,534.19	1,613,990.59	\$57,543.60	
OPERATING INCOME.....	\$5,675,474.86	\$5,827,438.49		\$151,963.63
NON-OPERATING INCOME.....	483,991.08	442,221.44	\$41,769.64	
GROSS INCOME.....	\$6,159,465.94	\$6,269,659.93		\$110,193.99
Income Deductions other than Bond Interest:				
Rentals of tracks, yards and terminals.....	\$66,690.67	\$69,659.92		\$2,969.25
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	91,698.67	90,393.10	\$1,305.57	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$197,151.14	\$198,814.82		\$1,663.68
NET INCOME APPLICABLE TO BOND INTEREST.....	\$5,962,314.80	\$6,070,845.11		\$108,530.31
INTEREST ON FIRST LIEN & REF. 5's, FIRST MORTGAGE 4½'s AND N. Y. & J. 5's.....	2,168,535.00	2,168,535.00		
BALANCE	\$3,793,779.80	\$3,902,310.11		\$108,530.31
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS FOR THE YEAR.....	\$2,138,679.80	\$2,247,210.11		\$108,530.31

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1930

Balance, Surplus December 31, 1929.....		\$6,798,380.53
Additions:		
Surplus income for the year ended December 31, 1930, as per income account		2,138,679.80
Miscellaneous Credits—Net.....		15,207.89
Total		<u>\$8,952,268.22</u>
Deductions:		
Dividends Nos. 15 and 16 on Preferred Capital Stock, payable August 15, 1930, and February 16, 1931.....	\$262,058.42	
Dividends Nos. 11 and 12 on Common Capital Stock, payable June 2, 1930, and December 1, 1930.....	1,399,753.74	1,661,812.16
Balance, Surplus December 31, 1930.....		<u><u>\$7,290,456.06</u></u>

EXHIBIT No. 3

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$124,489,091.27	
Less reserve for amortization.....	8,303,999.54	
		\$116,185,091.73
Amortization funds.....		7,128,117.53
Insurance and casualty fund.....		500,000.00
Bond discount in process of amortization.....		2,328,645.36

Working Assets

Current cash account.....	\$ 635,483.84	
Cash deposited to pay matured interest.....	50,315.00	
Cash deposited to pay dividends.....	6,912.84	
Investments	4,667,002.95	
Accounts receivable.....	393,596.48	
Materials and supplies.....	291,248.51	
Deposits with public departments.....	15,037.50	
Prepaid insurance, rents and taxes.....	69,909.83	
		6,129,506.95

TOTAL ASSETS.....	\$132,271,361.57
-------------------	------------------

EXHIBIT No. 3

AS OF DECEMBER 31, 1930

LIABILITIES

Common capital stock and scrip.....	\$39,995,385.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	11,626.25	
		\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	\$5,000,000.00	
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
First mortgage 4½% bonds.....	944,000.00	
		76,567,233.66
Operating reserves.....		665,652.33
<u>Working Liabilities</u>		
Accrued interest, rents and taxes, not yet due.....	\$1,061,943.50	
Accounts payable.....	301,271.27	
Matured interest payable.....	50,511.29	
Interest on adjustment income bonds, 2½% declared January 22, 1931, payable April 1, 1931.....	827,550.00	
Preferred dividends payable.....	138,731.17	
Common dividends payable.....	26,432.85	
		2,406,440.08
Items in suspense—Net.....		91,629.44
Profit and loss, Surplus.....		7,290,456.06
TOTAL LIABILITIES.....		\$132,271,361.57

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1930

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 5,000,000.00	Chemical Bank & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$76,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



TWENTY-THIRD
ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1931



TWENTY-THIRD

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1931



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

TWENTY-THIRD ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1931

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

LEWIS L. CLARKE - - - - New York City	WM. HENRY BARNUM - - - New York City
JEROME J. HANAUER - - - New York City	H. HOBART PORTER - - - New York City
JOHN W. PLATTEN - - - - New York City	ARTHUR BRISBANE - - - New York City
ALBERT H. WIGGIN - - - - New York City	C. D. EMMONS - - - - - New York City
J. VIPOND DAVIES - - - - Flushing, N. Y.	

GENERAL OFFICERS

C. D. EMMONS - - - - - President	
J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	THOMAS G. ANTHONY - - Asst. to President
THOMAS N. WILLINS - - - - Comptroller	PAUL SHEPARD - - - - - Asst. Comptroller
CARL S. KLUMPP - - - - - General Manager	P. COMPTON MILLER - - Real Estate Agent
WESLEY S. TWIDDY - Treas. and Asst. Secty.	ROBERT B. KAY - - Secty. & Asst. Treasurer
HARRY W. WEBBER - - Purchasing Agent	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 16, 1932.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report for the year ended December 31, 1931, is submitted:

Regular semi-annual dividends, at the rate of 5% per annum, were paid on the preferred capital stock, and semi-annual dividends, at the rate of 3½% per annum, were paid on the common capital stock. The dividends were at the same rates as those of the preceding year.

The continued business depression, with the consequent increase in unemployment, is reflected in the decrease in the number of passengers transported. In 1931 the total number handled was 96,500,000 compared with 106,700,000 in 1930, a decrease of 10,200,000 passengers, or 9.6%. As stated in the report for 1930, existing business conditions have caused a decrease, not only in the number of persons riding to and from work, but also in the number traveling to and from the shopping and theatre centres of the communities served.

In addition to the decreased revenue from passenger transportation, curtailment of business activities has also affected the rental income from the Hudson Terminal Buildings of your Company. The gross revenues from these buildings decreased \$108,500, or 3.7%, and the net revenues \$49,500, or 3.1%.

Notwithstanding the retrenchment in operating expenses to offset the decrease in revenues, the entire property has been maintained in the usual high degree of efficiency, with the utmost provision for safety, and all the component properties continue in excellent operating condition.

The entire issue of \$5,000,000 First Mortgage bonds of New York & Jersey Railroad Company (a predecessor company) dated February 1, 1902, matured February 1, 1932. Of this total, bonds amounting to \$1,800,000 were purchased by your Company prior to December 31, 1931. Practically all the remainder of \$3,200,000 were paid as of February 1, 1932, and provision has been made for redemption upon presentation of the relatively small amount (approximately \$50,000) still outstanding, the entire payment of \$5,000,000 being made from the Company's funds.

Mr. William H. Williams, who had been a valued Director of this Company since July 17, 1913, died on October 14, 1931, and your Board records, with a feeling of sincere sorrow, the loss of its able and esteemed associate.

Mr. J. Vipond Davies was elected a Director on October 22, 1931, to fill the vacancy created by the death of Mr. Williams.

Your Board has pleasure in acknowledging its appreciation of the intelligence, diligence and fidelity with which the officers and employees of the Company performed their duties during the year.

By order of the Board of Directors.

C. D. EMMONS,
President.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

—AND IN—

LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

15 BROAD STREET
NEW YORK

C E R T I F I C A T E

HUDSON & MANHATTAN RAILROAD COMPANY:

We have audited your accounts for the year ended December 31, 1931; have checked from original sources of entry all receipts and expenditures and all items entering into the income and profit and loss accounts; have examined the entries in capital accounts; and have made an independent verification of the cash balances and securities owned at December 31, 1931, and

We hereby certify that in our opinion the accompanying condensed balance sheet at December 31, 1931, and statements of income and profit and loss for the year ended that date are correct.

HASKINS & SELLS

NEW YORK, FEBRUARY 15, 1932.

NEW YORK, FEBRUARY 20, 1932.

MR. C. D. EMMONS,
President.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1931, also an Income Account and a Profit & Loss Statement for the year ended that date.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1931,
COMPARED WITH PREVIOUS YEAR

	1931	1930	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$7,080,674.82	\$7,839,597.56		\$758,922.74
Advertising	277,000.00	290,000.00		13,000.00
Other car and station privileges.....	308,296.64	308,758.14		461.50
Rent of buildings and other property.....	84,500.08	84,500.08		
Miscellaneous transportation revenue.....	83,346.00	111,344.78		27,998.78
Other miscellaneous revenue.....	4,587.10	5,142.93		555.83
TOTAL RAILROAD REVENUES.....	\$7,838,404.64	\$8,639,343.49		\$800,938.85
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 414,742.63	\$ 508,725.20		\$ 93,982.57
Maintenance of equipment.....	405,226.48	484,230.16		78,003.68
Power	572,007.34	629,761.85		57,754.51
Transportation expenses.....	1,575,009.01	1,683,196.37		108,187.36
General expenses.....	417,161.30	359,564.95	\$57,596.35	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,385,146.76	\$3,665,478.53		\$280,331.77
NET REVENUE FROM RAILROAD OPERATION.....	\$4,453,257.88	\$4,973,864.96		\$520,607.08
TAXES APPLICABLE TO RAILROAD OPERATION.....	939,612.75	969,924.29		30,311.54
RAILROAD OPERATING INCOME.....	\$3,513,645.13	\$4,003,940.67		\$490,295.54
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	1,619,071.69	1,671,534.19		52,462.50
OPERATING INCOME.....	\$5,132,716.82	\$5,675,474.86		\$542,758.04
NON-OPERATING INCOME.....	524,138.43	483,991.08	\$40,147.35	
GROSS INCOME.....	\$5,656,855.25	\$6,159,465.94		\$502,610.69
Income Deductions other than Bond Interest:				
Interest on real estate mortgage.....	\$ 300.00		\$ 300.00	
Rentals of tracks, yards and terminals.....	64,336.62	\$ 66,690.67		\$ 2,354.05
Amortization of debt discount.....	38,761.80	38,761.80		
Miscellaneous deductions.....	94,713.34	91,698.67	3,014.67	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 198,111.76	\$ 197,151.14	\$ 960.62	
NET INCOME APPLICABLE TO BOND INTEREST.....	\$5,458,743.49	\$5,962,314.80		\$503,571.31
INTEREST ON FIRST LIEN & REF. 5's, FIRST MORTGAGE 4½'s AND N. Y. & J. 5's.....	2,164,158.06	2,168,535.00		4,376.94
BALANCE	\$3,294,585.43	\$3,793,779.80		\$499,194.37
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
SURPLUS FOR THE YEAR.....	\$1,639,485.43	\$2,138,679.80		\$499,194.37

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1931

Balance, Surplus December 31, 1930.....		\$7,290,456.06
Additions:		
Surplus income for the year ended December 31, 1931, as per income account		1,639,485.43
Total		\$8,929,941.49
Deductions:		
Dividends Nos. 17 and 18 on Preferred Capital Stock, payable August 15, 1931, and February 15, 1932.....	\$262,057.04	
Dividends Nos. 13 and 14 on Common Capital Stock, payable June 1, 1931, and December 1, 1931.....	1,399,763.04	
Miscellaneous Debits—Net	108,119.75	1,769,939.83
Balance, Surplus December 31, 1931.....		<u>\$7,160,001.66</u>

EXHIBIT No. 3

CONDENSED BALANCE SHEET

ASSETS

Property accounts.....	\$124,657,004.95	
Less reserve for amortization.....	8,637,462.07	
		\$116,019,542.88
Amortization funds.....		7,563,037.82
Insurance and casualty fund.....		500,000.00
Bond discount in process of amortization.....		2,242,334.91

Working Assets

Current cash account.....	\$ 316,921.70	
Cash deposited to pay matured interest.....	50,987.50	
Cash deposited to pay dividends.....	8,562.79	
Investments (Market value)	2,830,864.00	
Accounts receivable.....	375,476.28	
Materials and supplies.....	282,357.53	
Deposits with public departments.....	15,037.50	
Prepaid insurance, rents and taxes.....	101,489.02	
		3,981,696.32

TOTAL ASSETS.....		\$130,306,611.93
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EXHIBIT No.

AS OF DECEMBER 31, 1931

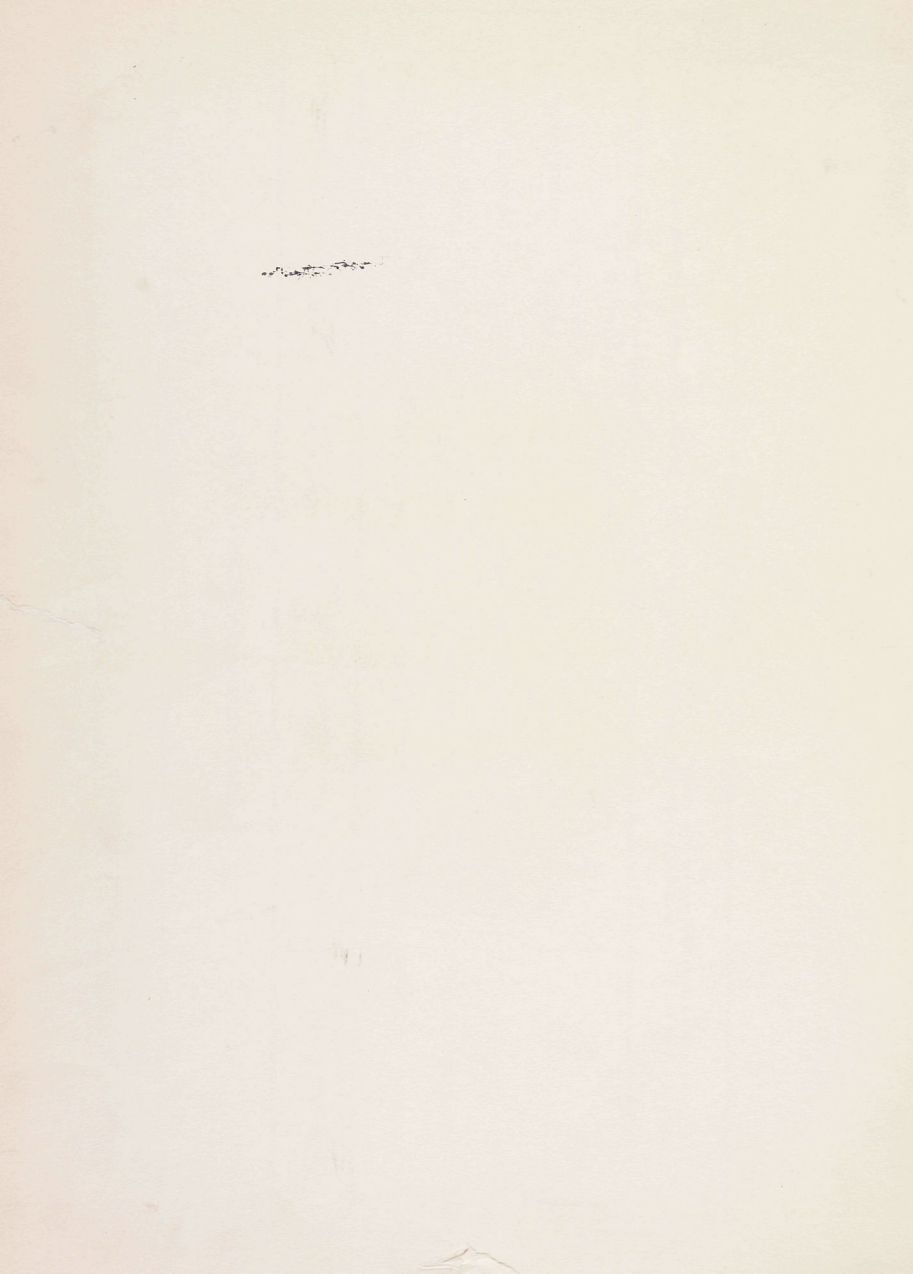
LIABILITIES

Common capital stock and scrip.....	\$39,995,385.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	11,626.25	
		\$45,249,950.00
New York & Jersey R. R. Co. 1st mortgage 5% bonds.....	\$5,000,000.00	
Less reacquired and held in Treasury.....	1,800,000.00	3,200,000.00
First lien and refunding mortgage 5% bonds.....		37,521,233.66
Adjustment income mortgage 5% bonds.....		33,102,000.00
First mortgage 4½% bonds.....		944,000.00
		74,767,233.66
Real estate mortgage		50,000.00
Operating reserves.....		631,866.11
Working Liabilities		
Accrued interest, rents and taxes, not yet due.....	\$ 974,211.31	
Accounts payable.....	388,866.62	
Matured interest payable.....	51,183.79	
Interest on adjustment income bonds, 2½% declared January 28, 1932, payable April 1, 1932.....	827,550.00	
Preferred dividends payable.....	139,536.72	
Common dividends payable.....	32,183.07	
		2,413,531.51
Items in suspense—Net.....		34,028.99
Profit and loss, Surplus.....		7,160,001.66
TOTAL LIABILITIES.....		\$130,306,611.93

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1931

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
New York and Jersey First Mortgage	\$1,000	Feb. 1, 1902	Feb. 1, 1932	5%	Feb. 1, Aug. 1	\$ 5,000,000.00	\$ 3,200,000.00	Chemical Bank & Trust Co.
First Lien and Refunding Mortgage.....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	37,521,233.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$104,518,000.00	\$74,767,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.





TWENTY-FOURTH
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1932



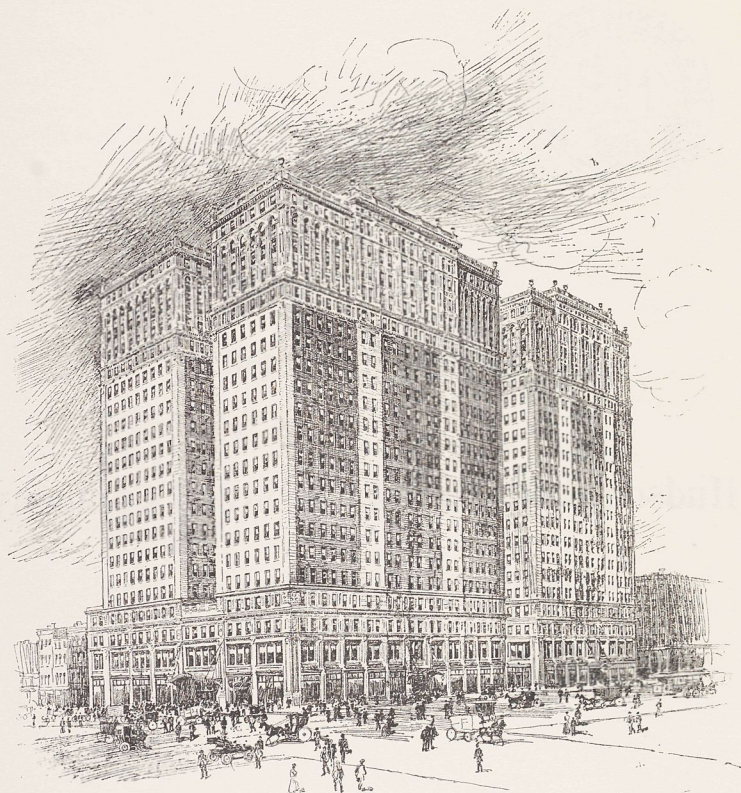
TWENTY-FOURTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1932



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY
TWENTY-FOURTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1932

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HUDSON & MANHATTAN RAILROAD COMPANY

(AS OF DECEMBER 31, 1932)

BOARD OF DIRECTORS

LEWIS L. CLARKE - - - Fair Haven, N. J.	WM. HENRY BARNUM - - - New York City
JEROME J. HANAUER - - - New York City	H. HOBART PORTER - - - New York City
JOHN W. PLATTEN - - - New York City	ARTHUR BRISBANE - - - New York City
ALBERT H. WIGGIN - - - New York City	* C. D. EMMONS - - - New York City
J. VIPOND DAVIES - - - Flushing, N. Y.	

GENERAL OFFICERS

* C. D. EMMONS - - - - - President	
J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	THOMAS G. ANTHONY - - Asst. to President
THOMAS N. WILLINS - - - Comptroller	PAUL SHEPARD - - - Asst. Comptroller
CARL S. KLUMPP - - - General Manager	P. COMPTON MILLER - - Real Estate Agent
WESLEY S. TWIDDY - Treas. and Asst. Secty.	ROBERT B. KAY - - Secty. and Asst. Treasurer
HARRY W. WEBBER - - - Purchasing Agent	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST Co. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

* Deceased, February 1, 1933.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report for the year ended December 31, 1932, is submitted:

During the year two dividends, of $2\frac{1}{2}\%$ each, were paid on the preferred capital stock, and two dividends—one of $1\frac{3}{4}\%$ and the other of $1\frac{1}{4}\%$ —were paid on the common capital stock.

The number of passengers transported decreased 12,770,000 as compared with traffic for the year 1931. As explained in the report for the latter year, the decrease in volume of traffic is largely attributable to existing business conditions and the unemployment situation, resulting in a decrease in riding between homes and places of employment and also to and from retail shopping and theatre districts.

Net income from Hudson Terminal Buildings reflects not only the present stagnation of industry, but also the competition arising out of the relatively recent over-production of office buildings in New York City. For the year 1932 gross rentals show a decrease of 12.2% and net income from the Buildings declined 17.4%.

In addition to the curtailment of operating expenses of the railroad property and Hudson Terminal Buildings made prior to 1932, further retrenchment was effected, including a substantial reduction in all salaries and wages, effective July 17, 1932, and, mainly as the outcome of these economies, operating expenses of the railroad decreased \$578,263 and of the Hudson Terminal Buildings \$46,756, a total reduction of \$625,019, compared with the

J. VIVOND DAVIES,
Vice-President.

HUDSON & MANHATTAN RAILROAD COMPANY

(AS OF DECEMBER 31, 1932)

BOARD OF DIRECTORS

LEWIS L. CLARKE - - -	Fair Haven, N. J.	WM. HENRY BARNUM - - -	New York City
JEROME J. HANAUER - - -	New York City	H. HOBART PORTER - - -	New York City
JOHN W. PLATTEN - - -	New York City	ARTHUR BRISBANE - - -	New York City
ALBERT H. WIGGIN - - -	New York City	* C. D. EMMONS - - -	New York City
J. VIPOND DAVIES - - -		Flushing, N. Y.	

GENERAL OFFICERS

SUPPLEMENTARY NOTICE TO STOCKHOLDERS:

In view of the death of Mr. C. D. Emmons on February 1, 1933, Mr. Walter F. Brown, for the past four years Postmaster General of the United States, was, at a meeting of your Board on February 23, 1933, elected a Director and Chairman of the Board, effective March 15, 1933. Mr. Brown will be the Chief Executive Officer of the Company.

Mr. Carl S. Klumpp, General Manager, was elected a Director and President of the Company, and continues to be the Chief Operating Officer, and Mr. P. Compton Miller, for many years Real Estate Agent of the Company, was elected Vice-President in Charge of Real Estate.

MARCH 10, 1933.

* Deceased, February 1, 1933.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report for the year ended December 31, 1932, is submitted:

During the year two dividends, of $2\frac{1}{2}\%$ each, were paid on the preferred capital stock, and two dividends—one of $1\frac{3}{4}\%$ and the other of $1\frac{1}{4}\%$ —were paid on the common capital stock.

The number of passengers transported decreased 12,770,000 as compared with traffic for the year 1931. As explained in the report for the latter year, the decrease in volume of traffic is largely attributable to existing business conditions and the unemployment situation, resulting in a decrease in riding between homes and places of employment and also to and from retail shopping and theatre districts.

Net income from Hudson Terminal Buildings reflects not only the present stagnation of industry, but also the competition arising out of the relatively recent over-production of office buildings in New York City. For the year 1932 gross rentals show a decrease of 12.2% and net income from the Buildings declined 17.4%.

In addition to the curtailment of operating expenses of the railroad property and Hudson Terminal Buildings made prior to 1932, further retrenchment was effected, including a substantial reduction in all salaries and wages, effective July 17, 1932, and, mainly as the outcome of these economies, operating expenses of the railroad decreased \$578,263 and of the Hudson Terminal Buildings \$46,756, a total reduction of \$625,019 compared with the previous year; and in addition, taxes decreased \$108,146. At the same time, the property has been maintained in a highly efficient and safe operating condition, in every respect adequate to meet the service demands.

By reference to the Condensed Balance Sheet it will be noted that the issue of \$5,000,000 New York and Jersey Railroad Company (predecessor company) First Mortgage 5% bonds, which matured February 1, 1932, has been retired, payment having been made from the Company's funds.

During the year agreements were concluded between your Company and The Pennsylvania Railroad Company, providing (a) for the division of fares derived from the operation of joint train service between New York and Newark, N. J.; (b) for operation of joint train service between New York on the one hand and the new stations of the Pennsylvania Railroad at Market Street, Newark, and at South Street, Newark, with a supplementary service to the present Park Place Station in Newark, on the other hand, and (c) for your Company's continued occupancy and use of the new and enlarged station and track facilities of The Pennsylvania Railroad Company at and adjacent to Journal Square, Jersey City.

Your Board records with deepest regret the sudden death of Mr. Charles DeMoss Emmons on February 1, 1933. Mr. Emmons became President of your Company and a member of its Board of Directors on September 1, 1930, and during the period of his association with the Company he earned the high esteem of the Officers and Directors and his passing has caused a feeling of genuine and sincere sorrow.

The officers and employees of your Company performed their duties with intelligence, efficiency, and loyalty, which your Board recognizes and gratefully acknowledges.

By order of the Board of Directors.

J. VIPOND DAVIES,
Vice-President.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

15 BROAD STREET

NEW YORK

C E R T I F I C A T E

HUDSON & MANHATTAN RAILROAD COMPANY:

We have audited your accounts for the year ended December 31, 1932; have checked from original sources of entry all receipts and expenditures and all items entering into the income and profit and loss accounts; have examined the entries in capital accounts; and have made an independent verification of the cash balances and securities owned at December 31, 1932, and

We hereby certify that in our opinion the accompanying condensed balance sheet at December 31, 1932, and statements of income and profit and loss for the year ended that date are correct.

HASKINS & SELLS

NEW YORK, FEBRUARY 15, 1933.

NEW YORK, FEBRUARY 15, 1933.

MR. J. VIPOND DAVIES,
Vice-President.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1932, also an Income Account and a Profit & Loss Statement for the year ended that date.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1

**INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1932,
COMPARED WITH PREVIOUS YEAR**

	1932	1931	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares	\$6,131,606.69	\$7,080,674.82		\$ 949,068.13
Advertising	142,000.00	277,000.00		135,000.00
Other car and station privileges	248,830.01	308,296.64		59,466.63
Rent of buildings and other property	84,500.08	84,500.08		
Miscellaneous transportation revenue	85,342.77	83,346.00	\$ 1,996.77	
Other miscellaneous revenue	3,450.52	4,587.10		1,136.58
TOTAL RAILROAD REVENUES	\$6,695,730.07	\$7,838,404.64		\$1,142,674.57
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures	\$ 302,498.12	\$ 414,742.63		\$ 112,244.51
Maintenance of equipment	324,212.99	406,226.48		82,013.49
Power	500,041.45	572,007.34		71,965.89
Transportation expenses	1,331,829.91	1,575,009.01		243,179.10
General expenses	348,300.90	417,161.30		68,860.40
TOTAL RAILROAD OPERATING EXPENSES	\$2,806,883.37	\$3,385,146.76		\$ 578,263.39
NET REVENUE FROM RAILROAD OPERATION	\$3,888,846.70	\$4,453,257.88		\$ 564,411.18
TAXES APPLICABLE TO RAILROAD OPERATION	867,373.09	939,612.75		72,239.66
RAILROAD OPERATING INCOME	\$3,021,473.61	\$3,513,645.13		\$ 492,171.52
NET INCOME, OTHER THAN RAILROAD OPERATIONS	1,338,619.33	1,619,071.69		280,452.36
OPERATING INCOME	\$4,360,092.94	\$5,132,716.82		\$ 772,623.88
NON-OPERATING INCOME	335,086.50	524,138.43		189,051.93
GROSS INCOME	\$4,695,179.44	\$5,656,855.25		\$ 961,675.81
Income Deductions other than Bond Interest:				
Interest on real estate mortgage	\$ 3,000.00	\$ 300.00	\$ 2,700.00	
Rentals of tracks, yards and terminals	54,587.65	64,336.62		\$ 9,748.97
Amortization of debt discount	38,761.80	38,761.80		
Miscellaneous deductions	97,429.88	94,713.34	2,716.54	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST	\$ 193,779.33	\$ 198,111.76		\$ 4,332.43
NET INCOME APPLICABLE TO BOND INTEREST	\$4,501,400.11	\$5,458,743.49		\$ 957,343.38
INTEREST ON FIRST LIEN & REF. 5'S, FIRST MORTGAGE 4½'S AND N. Y. & J. 5'S	1,931,631.51	2,164,158.06		232,526.55
BALANCE	\$2,569,768.60	\$3,294,585.43		\$ 724,816.83
INTEREST ON ADJUSTMENT INCOME 5% BONDS	1,655,100.00	1,655,100.00		
SURPLUS FOR THE YEAR	\$ 914,668.60	\$1,639,485.43		\$ 724,816.83

* N. Y. & J. 5's retired at maturity, February 1, 1932.

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1932

Balance, Surplus December 31, 1931.....		\$7,160,001.66
Additions:		
Surplus income for the year ended December 31, 1932, as per income account		914,668.60
Miscellaneous Credits—Net		33,381.26
Total		<u>\$8,108,051.52</u>
Deductions:		
Dividends Nos. 19 and 20 on Preferred Capital Stock, payable August 15, 1932, and February 15, 1933.....	\$262,060.38	
Dividends Nos. 15 and 16 on Common Capital Stock, payable June 1, 1932, and December 1, 1932.....	1,199,794.88	1,461,855.26
Balance, Surplus December 31, 1932.....		<u><u>\$6,646,196.26</u></u>

EXHIBIT No. 3

CONDENSED BALANCE SHEET

ASSETS

Property accounts	\$124,731,904.64	
Less reserve for amortization.....	8,876,376.85	
		\$115,855,527.79
Amortization funds (including \$2,153,500.00 par value of company's bonds)—at cost.....		4,701,036.98
Insurance and casualty fund.....		500,000.00
Bond discount in process of amortization.....		2,153,860.15

Working Assets

Current cash account.....	\$ 384,576.40	
Cash deposited to pay matured bonds and bond interest.....	59,852.50	
Cash deposited to pay dividends.....	2,670.91	
Investments—At market value.....	1,738,610.87	
Accounts receivable	449,205.60	
Materials and supplies.....	270,028.62	
Deposits with public departments.....	19,412.50	
Prepaid insurance, rents and taxes.....	86,903.52	
		3,011,260.92
Items in suspense—Net.....		2,547.51

TOTAL ASSETS.....		<u>\$126,224,233.35</u>
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EXHIBIT No. 3

AS OF DECEMBER 31, 1932

LIABILITIES

Common capital stock and scrip.....	\$39,995,385.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	11,626.25	
		\$45,249,950.00
First lien and refunding mortgage 5% bonds.....	37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
First mortgage 4½% bonds.....	944,000.00	
		71,567,233.66
Real estate mortgage.....		50,000.00
Operating reserves.....		552,751.10
<u>Working Liabilities</u>		
Accrued interest, rents and taxes, not yet due.....	\$ 821,507.61	
Accounts payable.....	274,967.74	
Matured funded debt unpaid.....	2,000.00	
Matured interest payable.....	57,986.29	
Interest on adjustment income bonds, 2½% declared January 26, 1933, payable April 1, 1933.....	827,550.00	
Preferred dividends payable.....	140,170.90	
Common dividends payable.....	33,919.79	
		2,158,102.33
Profit and loss, Surplus.....		6,646,196.26
TOTAL LIABILITIES.....		<u>\$126,224,233.35</u>

NOTE:

Contingent upon the outcome of a case now pending there is a possible tax liability of approximately \$150,000.00 for Federal income taxes in addition to current accruals, or a possible refund of approximately \$100,000.00.

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1932

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage.....	{ \$1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$ 65,000,000.00	\$ 37,521,233.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$99,518,000.00	\$71,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



TWENTY-FIFTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1933



TWENTY-FIFTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1933



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

TWENTY-FIFTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1933

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE - - -	Fair Haven, N. J.	WM. HENRY BARNUM - - -	New York City
JEROME J. HANAUER - - -	New York City	H. HOBART PORTER - - -	New York City
JOHN W. PLATTEN - - -	New York City	ARTHUR BRISBANE - - -	New York City
ALBERT H. WIGGIN - - -	New York City	J. VIPOND DAVIES - - -	Flushing, N. Y.
CARL S. KLUMPP - - -		New York City	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board

CARL S. KLUMPP, President and General Manager

J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	P. COMPTON MILLER,
WESLEY S. TWIDDY - Treas. and Asst. Secty.	Vice-Pres. in Charge of Real Estate
THOMAS N. WILLINS - - - - Comptroller	ROBERT B. KAY - - Secty. and Asst. Treasurer
PAUL SHEPARD - - - - Asst. Comptroller	T. G. ANTHONY - - - - Asst. to Chairman
HARRY W. WEBBER - - - Purchasing Agent	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

MARCH 5, 1934.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report for the year ended December 31, 1933, is submitted:

The number of passengers transported decreased 8,103,728 or 9.7%, as compared with the traffic for the preceding year. This decrease in traffic, as explained in previous reports since the depression, was largely due to existing business conditions and the resulting unemployment, causing a decrease in travel between homes and places of employment and also to and from retail and shopping and theatre districts. The increasing downward trend was arrested during the latter months of the year and it is expected that by reason of increased employment the trend will again be upward.

Net income from Hudson Terminal Buildings was also adversely affected by reason of the continued unsettlement in business during the greater part of the year and the extreme competition arising out of overproduction of office buildings in New York City, making it necessary to make adjustments in rentals not only to assist in tiding over old and valued tenants who were having difficulty but to meet the competition above referred to. For the year 1933 net income from the Buildings declined 38.8%.

While the net result for the year shows a deficit of \$86,234.78, after accrual of the full 5% on the Adjustment Income Mortgage Bonds, the Board of Directors on February 8, 1934, authorized a payment of 2½% on April 2, 1934, thus completing the full payment of 5% for the year, the deficiency being paid out of surplus or prior earnings.

During the year two dividends of 2½% each were paid on the Preferred Capital Stock. By reason of reduced earnings, however, no dividends on the Common Capital Stock were paid and the usual declaration on the senior stock since the payment of August 15th last was omitted.

In the last report mention was made of the conclusion of agreements between your Company and the Pennsylvania Railroad Company providing for the division of fares derived from the operation of joint train service between New York and the new stations of the Pennsylvania Railroad at Market Street, Newark, and at South Street, Newark, with a supplementary service to the present Park Place Station in Newark. Due to the fact that the new stations at Market Street and South Street, Newark, were not completed, no change in joint service operations was made during the year.

Acknowledgement is made by your Board of its appreciation of the intelligence, diligence and loyalty displayed by the officers and employees of the Company in the performance of their duties during the year.

By order of the Board of Directors,

WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

15 BROAD STREET
NEW YORK

C E R T I F I C A T E

HUDSON & MANHATTAN RAILROAD COMPANY:

We have audited your accounts for the year ended December 31, 1933; have checked from original sources of entry all receipts and expenditures and all items entering into the income and profit and loss accounts; have examined the entries in capital accounts; and have made an independent verification of the cash balances and securities owned at December 31, 1933, and

We hereby certify that in our opinion the accompanying condensed balance sheet at December 31, 1933, and statements of income and profit and loss for the year ended that date are correct

HASKINS & SELLS

NEW YORK, FEBRUARY 21, 1934.

NEW YORK, FEBRUARY 19, 1934.

MR. WALTER F. BROWN,
Chairman of the Board.

DEAR SIR:

I submit herewith a Condensed Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1933, also an Income Account and a Profit & Loss Statement for the year ended that date.

Very truly yours,

T. N. WILLINS,
Comptroller.

EXHIBIT No. 1

INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1933,
COMPARED WITH PREVIOUS YEAR

	1933	1932	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares	\$5,501,149.60	\$6,131,606.69		\$ 630,457.09
Advertising	106,200.00	142,000.00		35,800.00
Other car and station privileges	208,421.58	248,830.01		40,408.43
Rent of buildings and other property	84,500.08	84,500.08		
Miscellaneous transportation revenue	52,546.00	85,342.77		32,796.77
Other miscellaneous revenue	3,608.30	3,450.52	\$ 157.78	
TOTAL RAILROAD REVENUES	\$5,956,425.56	\$6,695,730.07		\$ 739,304.51
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures	\$ 305,658.25	\$ 302,498.12	\$ 3,160.13	
Maintenance of equipment	291,547.43	324,212.99		\$ 32,665.56
Power	465,900.03	500,041.45		34,141.42
Transportation expenses	1,174,351.20	1,331,829.91		157,478.71
General expenses	352,647.31	348,300.90	4,346.41	
TOTAL RAILROAD OPERATING EXPENSES	\$2,590,104.22	\$2,806,883.37		\$ 216,779.15
NET REVENUE FROM RAILROAD OPERATION	\$3,366,321.34	\$3,888,846.70		\$ 522,525.36
TAXES APPLICABLE TO RAILROAD OPERATION	805,125.74	867,373.09		62,247.35
RAILROAD OPERATING INCOME	\$2,561,195.60	\$3,021,473.61		\$ 460,278.01
NET INCOME, OTHER THAN RAILROAD OPERATIONS	837,010.62	1,338,619.33		501,608.71
OPERATING INCOME	\$3,398,206.22	\$4,360,092.94		\$ 961,886.72
NON-OPERATING INCOME	292,702.20	335,086.50		42,384.30
GROSS INCOME	\$3,690,908.42	\$4,695,179.44		\$1,004,271.02
Income Deductions other than Bond Interest:				
Interest on real estate mortgage	\$ 1,500.00	\$ 3,000.00		\$ 1,500.00
Rentals of tracks, yards and terminals	52,626.57	54,587.65		1,961.08
Amortization of debt discount	38,761.80	38,761.80		
Miscellaneous deductions	110,619.83	97,429.88	\$ 13,189.95	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST	\$ 203,508.20	\$ 193,779.33	\$ 9,728.87	
NET INCOME APPLICABLE TO BOND INTEREST	\$3,487,400.22	\$4,501,400.11		\$1,013,999.89
INTEREST ON FIRST LIEN & REF. S'S AND FIRST MORTGAGE 4½'S	1,918,535.00	* 1,931,631.51		13,096.51
BALANCE	\$1,568,865.22	\$2,569,768.60		\$1,000,903.38
INTEREST ON ADJUSTMENT INCOME 5% BONDS	1,655,100.00	1,655,100.00		
SURPLUS FOR THE YEAR (Deficit, 1933)	\$ 86,234.78	\$ 914,668.60		\$1,000,903.38

* Includes N. Y. & J. S's, month of January, 1932.

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1933

Balance, Surplus December 31, 1932.....		\$6,646,196.26
Deductions:		
Deficit for the year ended December 31, 1933, as per income account	\$ 86,234.78	
Dividend No. 21 on Preferred Capital Stock, payable August 15, 1933	131,030.19	
Transfer to "Funded debt retired through income and surplus" account, representing real estate mortgages retired in prior years	1,040,500.00	
Miscellaneous Debits—Net	53,756.07	
		<u>1,311,521.04</u>
Balance, December 31, 1933.....		<u><u>\$5,334,675.22</u></u>

EXHIBIT No. 3

CONDENSED BALANCE SHEET

ASSETS

Property accounts	\$124,837,519.05	
Less reserve for amortization	9,165,317.86	
		\$115,672,201.19
Amortization funds (including \$2,153,500.00 par value of company's bonds)—at cost		5,060,659.25
Insurance and casualty fund		450,000.00
Bond discount in process of amortization		2,061,263.87
<u>Working Assets</u>		
Current cash account	\$ 815,655.99	
Cash deposited to pay matured bond interest	59,342.50	
Cash deposited to pay dividends	1,272.16	
Investments—At market value	849,973.01	
Accounts receivable (less reserve for doubtful accounts)	282,350.44	
Materials and supplies	366,147.03	
Deposits with public departments	19,412.50	
Prepaid insurance, rents and taxes	63,529.30	
		2,457,682.93
Items in suspense—Net		1,734.26
 TOTAL ASSETS		 \$125,703,541.50

EXHIBIT No. 3

AS OF DECEMBER 31, 1933

LIABILITIES

Common capital stock and scrip.....	\$39,995,385.00	
Preferred capital stock and scrip.....	5,242,938.75	
Stocks held to redeem outstanding securities of predecessor companies.....	11,626.25	
		\$45,249,950.00
First lien and refunding mortgage 5% bonds.....	\$37,521,233.66	
Adjustment income mortgage 5% bonds.....	33,102,000.00	
First mortgage 4½% bonds.....	944,000.00	
		71,567,233.66
Operating reserves		527,947.49
Working Liabilities		
Accrued interest, rents and taxes, not yet due.....	\$ 817,858.25	
Accounts payable	241,851.54	
Matured interest payable.....	59,476.29	
Interest on adjustment income bonds, 2½% declared February 8, 1934, payable April 2, 1934.....	827,550.00	
Preferred dividends payable.....	10,641.76	
Common dividends payable.....	25,857.29	
		1,983,235.13
Corporate Surplus:		
Funded debt retired through income and surplus.....	\$1,040,500.00	
Profit and Loss—Balance.....	5,334,675.22	
		6,375,175.22
TOTAL LIABILITIES.....		<u>\$125,703,541.50</u>

NOTE: Contingent upon the outcome of a case now pending there is a possible tax liability of approximately \$150,000.00 for Federal income taxes in addition to current accruals, or a possible refund of approximately \$100,000.00.

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1933

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage.....	$\left\{ \begin{array}{l} \$1,000 \\ 500 \\ 100 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$ 65,000,000.00	\$ 37,521,233.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	$\left\{ \begin{array}{l} 1,000 \\ 500 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$99,518,000.00	\$71,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



TWENTY-SIXTH
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1934



TWENTY-SIXTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1934



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

TWENTY-SIXTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1934

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE	- - - Fair Haven, N. J.	H. HOBART PORTER	- - - New York City
JEROME J. HANAUER	- - - Greenburg, N. Y.	ARTHUR BRISBANE	- - - New York City
ALBERT H. WIGGIN	- - - New York City	J. VIPOND DAVIES	- - - Flushing, N. Y.
WM. HENRY BARNUM	- - - New York City	CARL S. KLUMPP	- - - New York City
PERCY H. JOHNSTON		- - - Montclair, N. J.	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board

CARL S. KLUMPP, President and General Manager

J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	P. COMPTON MILLER,
WESLEY S. TWIDDY - Treas. and Asst. Secty.	Vice-Pres. in Charge of Real Estate
PAUL SHEPARD - - - - - Comptroller	ROBERT B. KAY - - Secty. and Asst. Treasurer
F. H. SILLICK - - - - - Asst. Comptroller	T. G. ANTHONY - - - - Asst. to Chairman
HARRY W. WEBBER - - - Purchasing Agent	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

MARCH 9, 1935.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report of your Company's operations for the year which ended December 31, 1934, is respectfully submitted:

The traffic as compared with that of the previous year showed an increase of 1% or 723,789 more passengers than were carried in 1933. If and when business and employment again reach normal levels a substantial increase in passenger revenue may be confidently anticipated.

The prevailing excess of rentable space in office buildings in Manhattan is again reflected in a decrease of revenue from the Hudson Terminal Buildings, competition as well as the distress of valued tenants again compelling rental adjustments downward. The decrease of net income from the buildings amounting to 13-1/10% for the year was practically one-third of the decrease suffered in 1933.

The full interest upon the First Lien & Refunding Bonds was earned and paid. Because the net revenue available for bond interest was \$150,850.59 less than the full 5% accrued upon the Company's Adjustment Income Bonds, the Board of Directors authorized the payment of only 2% on said bonds for the second half of 1934, making a total distribution thereon of 4 1/2% for the year.

By reason of reduced earnings no dividends were paid upon the Preferred and Common Stocks of the Company.

The form of the balance sheet has been changed to accord with the practice prescribed by the Interstate Commerce Commission. Under the form heretofore presented, investments of the General Fund have been classified as "Current Assets," whereas in the accompanying balance sheet these investments, amounting to \$840,979.44 at December 31, 1934, are omitted from the schedule of "Current Assets" and are included with other property items under the caption of "Investments."

In previous reports mention has been made of the conclusion of agreements between your Company and the Pennsylvania Railroad Company providing for the division of fares derived from the operation of joint train service between New York and new stations of the Pennsylvania Railroad building at Market Street, Newark, and at South Street, Newark, with a supplementary service to the present Park Place Station in Newark. Due to the fact that the projected new stations have not yet been completed, no change in joint service operations was made during the year.

Grateful acknowledgment is again made by your Board of the intelligence, diligence and loyalty of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,
WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

15 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

HUDSON & MANHATTAN RAILROAD COMPANY:

We have made an examination of the balance sheet of the Hudson & Manhattan Railroad Company at December 31, 1934, and of the statements of income and profit and loss for the year 1934. In connection therewith, we examined or tested accounting records of the company (which consistently have been kept in accordance with the Classification of Accounts prescribed by the Interstate Commerce Commission) and other supporting evidence. We also made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and profit and loss fairly present the company's position at December 31, 1934, and the results of its operations for the year.

HASKINS & SELLS

NEW YORK, FEBRUARY 28, 1935.

NEW YORK, FEBRUARY 15, 1935.

MR. WALTER F. BROWN,
Chairman of the Board.

DEAR SIR:

I submit herewith a General Balance Sheet of the Hudson & Manhattan Railroad Company, as at December 31, 1934, also an Income Account and a Profit & Loss Statement for the year ended that date.

Very truly yours,

PAUL SHEPARD,
Comptroller.

EXHIBIT No. 1

**INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1934,
COMPARED WITH PREVIOUS YEAR**

	1934	1933	INCREASE	DECREASE
RAILROAD REVENUES:				
Passenger fares.....	\$5,536,876.54	\$5,501,149.60	\$35,726.94	
Advertising.....	99,000.00	106,200.00		\$7,200.00
Other car and station privileges.....	204,004.24	208,421.58		4,417.34
Rent of buildings and other property.....	104,500.08	84,500.08	20,000.00	
Miscellaneous transportation revenue.....	43,731.36	52,546.00		8,814.64
Other miscellaneous revenue.....	3,859.79	3,608.30	251.49	
TOTAL RAILROAD REVENUES.....	\$5,991,972.01	\$5,956,425.56	\$35,546.45	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 316,895.26	\$ 305,658.25	\$11,237.01	
Maintenance of equipment.....	333,775.77	291,547.43	42,228.34	
Power.....	487,592.36	465,900.03	21,692.33	
Transportation expenses.....	1,144,013.07	1,174,351.20		\$30,338.13
General expenses.....	317,646.72	352,647.31		35,000.59
TOTAL RAILROAD OPERATING EXPENSES.....	\$2,599,923.18	\$2,590,104.22	\$ 9,818.96	
NET REVENUE FROM RAILROAD OPERATION.....	\$3,392,048.83	\$3,366,321.34	\$25,727.49	
TAXES APPLICABLE TO RAILROAD OPERATION.....	816,367.78	805,125.74	11,242.04	
RAILROAD OPERATING INCOME.....	\$2,575,681.05	\$2,561,195.60	\$14,485.45	
NET INCOME, OTHER THAN RAILROAD OPERATIONS.....	747,049.18	837,010.62		\$89,961.44
OPERATING INCOME.....	\$3,322,730.23	\$3,398,206.22		\$75,475.99
NON-OPERATING INCOME.....	302,090.11	292,702.20	\$ 9,387.91	
GROSS INCOME.....	\$3,624,820.34	\$3,690,908.42		\$66,088.08
Income Deductions other than Bond Interest:				
Interest on real estate mortgage.....		\$ 1,500.00		\$ 1,500.00
Rentals of tracks, yards and terminals.....	\$ 54,424.96	52,626.57	\$ 1,798.39	
Amortization of debt discount.....	38,826.15	38,761.80	64.35	
Miscellaneous deductions.....	108,784.82	110,619.83		1,835.01
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 202,035.93	\$ 203,508.20		\$ 1,472.27
NET INCOME APPLICABLE TO BOND INTEREST.....	\$3,422,784.41	\$3,487,400.22		\$64,615.81
INTEREST ON FIRST LIEN & REF. 5'S AND FIRST MORTGAGE 4½'S.....	1,918,535.00	1,918,535.00		
BALANCE.....	\$1,504,249.41	\$1,568,865.22		\$64,615.81
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
DEFICIT FOR THE YEAR.....	\$ 150,850.59	\$ 86,234.78	\$64,615.81	

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1934

Balance, December 31, 1933.....		\$5,334,675.22
Additions:		
Miscellaneous credits—Net.....		107,650.52
Total.....		<u>\$5,442,325.74</u>
Deductions:		
Deficit for the year ended December 31, 1934, as per income account	\$ 150,850.59	
Appropriations of surplus to sinking fund reserve.....	<u>1,437,681.30</u>	
		<u>1,588,531.89</u>
Balance, December 31, 1934.....		<u><u>\$3,853,793.85</u></u>

EXHIBIT No. 3

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....		\$111,453,134.68
Sinking funds (including \$1,268,529.04 par value of company's bonds)		
—At cost.....		1,437,681.30
Deposit in lieu of mortgage property sold.....		7.67
Miscellaneous physical property.....		13,475,209.43
Investments in affiliated companies:		
Stocks.....	\$ 2,000.00	
Advances.....	41,807.25	

43,807.25

Other investments:

Stocks.....	\$ 1,801.00
Bonds.....	564,178.44
Notes.....	275,000.00

840,979.44

Total investments..... \$127,250,819.77

Current Assets:

Cash.....	\$ 513,427.39
Special deposits.....	105,924.66
Notes receivable.....	20,502.91
Miscellaneous accounts receivable.....	196,867.35
Materials and supplies.....	358,467.91
Interest receivable.....	74,484.68
Other current assets.....	31,158.00

Total current assets..... 1,300,832.90

Deferred Assets:

Insurance and other funds (including \$1,030,000.00 par value of company's bonds)—At cost.....	\$ 4,558,655.05
Other deferred assets.....	80,977.82

Total deferred assets..... 4,639,632.87

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 47,319.34
Discount on funded debt.....	1,964,238.83
Other unadjusted debits.....	30,870.33

Total unadjusted debits..... 2,042,428.50

TOTAL..... \$135,233,714.04

EXHIBIT No. 3

DECEMBER 31, 1934

LIABILITIES

Capital Stock:

Common Stock	\$ 39,995,385.00	
Preferred Stock	5,242,938.75	
Stock liability for conversion	11,626.25	
Total Capital Stock		\$ 45,249,950.00

Funded Debt:

First Mortgage 4½% bonds	\$67,148,000.00	
Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage	66,204,000.00	\$ 944,000.00
First lien and refunding mortgage 5% bonds		37,521,233.66
Adjustment income mortgage 5% bonds		33,102,000.00
Total funded debt		71,567,233.66

Current Liabilities:

Audited accounts and wages payable	\$ 161,150.46	
Miscellaneous accounts payable	11,102.71	
Matured interest and dividends payable	120,248.85	
Interest on adjustment income bonds, 2% declared February 14, 1935, payable April 1, 1935	662,040.00	
Accrued interest and rents payable	812,313.94	
Other current liabilities	1,067.33	
Total current liabilities		1,767,923.29

Deferred Liabilities:

Interest on adjustment income bonds, ½% deferred	\$ 165,510.00	
Other deferred liabilities	832.00	
Total deferred liabilities		166,342.00

Unadjusted Credits:

Tax liability	\$ 25,973.28	
Operating reserves	39,976.48	
Accrued depreciation—Road and equipment	4,359,210.55	
Accrued depreciation—Miscellaneous physical property	5,190,091.30	
Other unadjusted credits	47,659.89	
Total unadjusted credits		9,610,964.94

Corporate Surplus:

Funded debt retired through surplus	\$ 1,040,500.00	
Sinking fund reserve	1,437,681.30	
Miscellaneous fund reserves	539,325.00	
Profit and loss—Balance	3,853,793.85	
Total corporate surplus		6,871,300.15
TOTAL		\$135,233,714.04

NOTE: Contingent upon the outcome of a case now pending there is a possible tax liability of approximately \$150,000.00 for Federal income taxes in addition to current accruals, or a possible refund of approximately \$100,000.00.

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1934

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage.....	{ \$1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	\$37,521,233.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$99,518,000.00	\$71,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



TWENTY-SEVENTH
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1935



TWENTY-SEVENTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1935



HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY
TWENTY-SEVENTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1935

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE - - -	Rumson, N. J.	H. HOBART PORTER - - -	New York City
JEROME J. HANAUER - - -	Greenburg, N. Y.	ARTHUR BRISBANE - - -	New York City
ALBERT H. WIGGIN - - -	New York City	J. VIPOND DAVIES - - -	Flushing, N. Y.
WM. HENRY BARNUM - - -	New York City	CARL S. KLUMPP - - -	New York City
PERCY H. JOHNSTON - - -		Montclair, N. J.	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board

CARL S. KLUMPP, President and General Manager

J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	P. COMPTON MILLER,
WESLEY S. TWIDDY - Treas. and Asst. Secty.	Vice-Pres. in Charge of Real Estate
PAUL SHEPARD - - - - - Comptroller	ROBERT B. KAY - - Secty. and Asst. Treasurer
F. H. SILLICK - - - - - Asst. Comptroller	T. G. ANTHONY - - - - - Asst. to Chairman
J. E. BUCK - - - - - General Counsel	HARRY W. WEBBER - - - - - Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

MARCH 5, 1936.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report of your Company's operations for the year ended December 31, 1935, is respectfully submitted:

The traffic as compared with the year 1934 decreased 337,334 passengers or four-tenths of one per cent. This was due to the continuance of unemployment incident to the business depression, and in some measure to the competitive ferry service operated by the railroads that carry New Jersey suburban commuters. Passengers of those railroads are carried by ferries across the Hudson River without additional charge, whereas, if the facilities of the Hudson & Manhattan Railroad are used, an additional fare must be paid. Many commuters use your line because of the more rapid service and more convenient stations in New York City afforded; but during a period when so many people are faced with the necessity for rigid economies the ferry services appeal to a relatively large number of travelers. Your Directors still believe that if and when business and employment again reach normal levels, a substantial increase in passenger revenue may be confidently anticipated.

Rental receipts from Hudson Terminal Buildings continue to reflect the prevailing excess of rentable office space in Manhattan, making it necessary to continue downward rental adjustments, both to meet existing competition as well as to assist and retain valued tenants. Gross revenues from Hudson Terminal Buildings decreased \$141,223.63, or eight and two-tenths per cent, and net income decreased \$127,127.60, or eighteen and eight-tenths per cent in 1935.

Full interest on the First Lien & Refunding Bonds was earned and paid.

For the first six months of 1935, the aggregate surplus income available for the payment of interest on the Adjustment Income Bonds amounted to \$665,166.73, and of this amount, \$662,040.00, or \$20 per \$1,000 bond, was paid on October 1, 1935. For the full year ended December 31, 1935, after deducting the payment of \$662,040.00 made on October 1, surplus income available for interest on these bonds aggregated \$519,495.42, and of this amount \$496,530.00, or \$15 per \$1,000 bond, has been authorized to be paid on April 1, 1936, making the total interest disbursed for the year 1935, three and one-half per cent. Consequently, the unpaid and accumulated interest on these bonds, consisting of one-half of one per cent for the year 1934, plus one and one-half per cent for the year 1935, is now a total of 2%.

No dividends were paid on the Preferred or Common Stocks of the Company.

The franchise under which that portion of the Sixth Avenue Extension of this Company's uptown tunnel railroad, from 9th to 33rd Streets in New York City, was constructed, provides that the City shall have the right to purchase and take said portion for use as a part of a municipal system of rapid transit, at any time after the expiration of twenty-five years from the commencement of operation thereof, upon at least two years' notice in writing, and payment to the Company of the value thereof as determined by agreement or by appraisal, with the proviso that such value shall not exceed the actual cost in money of the construction of said tunnel and railroad, including stations, real estate, etc., as the same exist at the time when said option shall be exercised. Operation over the Sixth Avenue Extension into the 33rd Street terminal station was commenced November 10, 1910, and said twenty-five year period of operation expired on November 10, 1935. For some years past the City of New

York has planned a rapid transit line under Sixth Avenue as part of its independent subway system, and, if possible, to avoid recapture of this Company's Sixth Avenue Line for such purpose, representatives of your Company have carried on studies and negotiations with the Board of Transportation and other City authorities to evolve a plan which would permit joint occupancy of the street by the two facilities. These negotiations were concluded during the past year and various agreements providing for the execution of the work made necessary by such joint occupancy of Sixth Avenue have been prepared and have been approved by the City authorities. These agreements are now in process of execution by all parties in interest, and it is expected that they will be delivered and the necessary work begun in the near future. Under the principal agreement the Company's 33rd Street terminal station will be entirely reconstructed, and during the period required for the work the Company will maintain a temporary terminal in the blocks between 28th and 30th Streets. Parts of the Company's property will be taken by the City, for which the Company will be paid \$300,000.00, and other parts of the Company's structures which are to be taken by the City will be replaced by new construction. The Trustees under the Company's several mortgages have tentatively agreed to the changes in the Company's physical assets involved. A Modifying Certificate authorizing the work and providing for the operation of the temporary and final structures has been issued by the Transit Commission of the State of New York with the approval of the City authorities, acceptance of which by the Company must await delivery of the underlying agreements. Under the Modifying Certificate the City has the right to recapture the Sixth Avenue Extension as reconstructed, on five years' notice in writing, and in the event the City shall exercise such right the Company then has the option, under certain conditions, of electing to have its railroad reconstructed in Sixth Avenue at a lower plane.

Mention was made in previous reports of an agreement with the Pennsylvania Railroad Company for the division of fares to be derived from the operation of joint train service between New York and projected new stations of the Pennsylvania Railroad at Market Street and South Street in Newark, with a supplementary service to the present Park Place Station in Newark. Altho substantial progress has been made, the projected stations are still uncompleted, and therefore no change in the joint train service operation has been made.

The properties of your Company have been maintained efficiently and are capable, without expansion, of providing the increased service incident to the business improvement which is hoped for.

Again grateful acknowledgment is made by your Board of the diligence and loyalty of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,
WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
—AND IN—

LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

15 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

HUDSON & MANHATTAN RAILROAD COMPANY:

We have made an examination of the balance sheet of the Hudson & Manhattan Railroad Company at December 31, 1935, and of the statements of income and profit and loss for the year 1935. In connection therewith, we examined or tested accounting records of the company (which consistently have been kept in accordance with the Classification of Accounts prescribed by the Interstate Commerce Commission) and other supporting evidence. We also made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and profit and loss fairly present the company's position at December 31, 1935, and the results of its operations for the year.

HASKINS & SELLS

NEW YORK, FEBRUARY 29, 1936.

EXHIBIT No. 1

**INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1935,
COMPARED WITH PREVIOUS YEAR**

	1935	1934	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$5,498,734.64	\$5,536,876.54		\$ 38,141.90
Advertising.....	103,000.00	99,000.00	\$ 4,000.00	
Other car and station privileges.....	196,156.98	204,004.24		7,847.26
Rent of buildings and other property.....	104,500.08	104,500.08		
Miscellaneous transportation revenue.....	42,346.00	43,731.36		1,385.36
Other miscellaneous revenue.....	3,174.65	3,859.79		685.14
TOTAL RAILROAD OPERATING REVENUES.....	\$5,947,912.35	\$5,991,972.01		\$ 44,059.66
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 366,003.81	\$ 316,895.26	\$ 49,108.55	
Maintenance of equipment.....	396,197.20	333,775.77	62,421.43	
Power.....	501,698.84	487,592.36	14,106.48	
Transportation expenses.....	1,177,464.37	1,144,013.07	33,451.30	
General expenses.....	333,121.12	317,646.72	15,474.40	
TOTAL RAILROAD OPERATING EXPENSES.....	\$2,774,485.34	\$2,599,923.18	\$ 174,562.16	
NET REVENUE FROM RAILROAD OPERATION.....	\$3,173,427.01	\$3,392,048.83		\$ 218,621.82
TAXES APPLICABLE TO RAILROAD OPERATION.....	792,890.47	816,367.78		23,477.31
RAILROAD OPERATING INCOME.....	\$2,380,536.54	\$2,575,681.05		\$ 195,144.51
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	618,530.97	747,049.18		128,518.21
OPERATING INCOME.....	\$2,999,067.51	\$3,322,730.23		\$ 323,662.72
NON-OPERATING INCOME.....	286,835.91	302,090.11		15,254.20
GROSS INCOME.....	\$3,285,903.42	\$3,624,820.34		\$ 338,916.92
Income Deductions other than Bond Interest:				
Rentals of tracks, yards and terminals.....	\$ 56,671.22	\$ 54,424.96	\$ 2,246.26	
Amortization of debt discount.....	38,697.47	38,826.15		\$ 128.68
Miscellaneous deductions.....	105,123.72	108,784.82		3,661.10
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 200,492.41	\$ 202,035.93		\$ 1,543.52
NET INCOME APPLICABLE TO BOND INTEREST.....	\$3,085,411.01	\$3,422,784.41		\$ 337,373.40
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S.....	1,918,535.00	1,918,535.00		
BALANCE.....	\$1,166,876.01	\$1,504,249.41		\$ 337,373.40
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	1,655,100.00	1,655,100.00		
DEFICIT FOR THE YEAR.....	\$ 488,223.99	\$ 150,850.59	\$ 337,373.40	

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1935

Balance, December 31, 1934.....		\$3,853,793.85
Deduct:		
Deficit for the year ended December 31, 1935, as per income account	\$ 488,223.99	
Appropriations of surplus to sinking fund reserve.....	101,590.44	
Miscellaneous debits—Net.....	714.24	
Total.....		590,528.67
Balance, December 31, 1935.....		<u>\$3,263,265.18</u>

EXHIBIT No. 3

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....	\$111,473,339.22	
Sinking funds (including \$1,505,529.04 par value of company's bonds)		
—At cost.....	1,539,271.74	
Deposit in lieu of mortgaged property sold.....	7.67	
Miscellaneous physical property.....	13,526,510.63	
Investments in affiliated companies:		
Stocks.....	\$ 2,000.00	
Advances.....	41,807.25	
		43,807.25
Other investments:		
Stocks.....	\$ 1,801.00	
Bonds.....	563,978.44	
Notes.....	175,000.00	
		740,779.44
Total investments.....		\$127,323,715.95

Current Assets:

Cash.....	\$ 426,155.63	
Special deposits.....	75,485.92	
Notes receivable.....	16,320.23	
Miscellaneous accounts receivable.....	205,773.16	
Materials and supplies.....	344,300.02	
Interest receivable.....	74,069.56	
Other current assets.....	31,162.00	
Total current assets.....		1,173,266.52

Deferred Assets:

Insurance and other funds (including \$1,030,000.00 par value of company's bonds)—At cost.....	\$ 5,011,157.24	
Other deferred assets.....	83,644.58	
Total deferred assets.....		5,094,801.82

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 40,774.71	
Discount on funded debt.....	1,862,648.39	
Other unadjusted debits.....	50,345.01	
Total unadjusted debits.....		1,953,768.11

TOTAL.....		\$135,545,552.40
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EXHIBIT No. 3

DECEMBER 31, 1935

LIABILITIES

Capital Stock:

Common Stock.....	\$ 39,995,385.00	
Preferred Stock.....	5,242,938.75	
Stock liability for conversion.....	11,626.25	
Total Capital Stock.....		\$ 45,249,950.00

Funded Debt:

First Mortgage 4½% bonds.....	\$67,148,000.00	
Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage.....	66,204,000.00	\$ 944,000.00
First lien and refunding mortgage 5% bonds.....		37,521,233.66
Adjustment income mortgage 5% bonds.....		33,102,000.00
Total funded debt.....		71,567,233.66

Current Liabilities:

Audited accounts and wages payable.....	\$ 165,727.89	
Miscellaneous accounts payable.....	10,574.85	
Matured interest and dividends payable.....	86,064.31	
Interest on adjustment income bonds, 1½% declared February 13, 1936, payable April 1, 1936.....	496,530.00	
Accrued interest and rents payable.....	804,244.22	
Other current liabilities.....	1,067.33	
Total current liabilities.....		1,564,208.60

Deferred Liabilities:

Interest on adjustment income bonds, 2% deferred.....	\$ 662,040.00	
Other deferred liabilities.....	816.95	
Total deferred liabilities.....		662,856.95

Unadjusted Credits:

Tax liability.....	\$ 34,279.20	
Operating reserves.....	32,680.04	
Accrued depreciation—Road and equipment.....	4,593,727.63	
Accrued depreciation—Miscellaneous physical property.....	5,430,955.30	
Other unadjusted credits.....	27,231.33	
Total unadjusted credits.....		10,118,873.50

Corporate Surplus:

Funded debt retired through surplus.....	\$ 1,040,500.00	
Sinking fund reserve.....	1,539,271.74	
Miscellaneous fund reserves.....	539,392.77	
Profit and loss—Balance.....	3,263,265.18	
Total corporate surplus.....		6,382,429.69

TOTAL.....\$135,545,552.40

NOTE: Contingent upon the outcome of a case now pending there is a possible tax liability of approximately \$150,000.00 for Federal income taxes in addition to current accruals, or a possible refund of approximately \$100,000.00.

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1935

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage.....	{ \$1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	\$37,521,233.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	33,102,000.00	Guaranty Trust Co. of N. Y.
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	*944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
						\$99,518,000.00	\$71,567,233.66	

*The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.



TWENTY-EIGHTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1936



**TWENTY-EIGHTH
ANNUAL REPORT**

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1936



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

TWENTY-EIGHTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1936

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE - - -	New York City	H. HOBART PORTER - - -	New York City
JEROME J. HANAUER - - -	Greenburg, N. Y.	J. VIPOND DAVIES - - -	Flushing, N. Y.
ALBERT H. WIGGIN - - -	New York City	CARL S. KLUMPP - - -	New York City
WM. HENRY BARNUM - - -	New York City	PERCY H. JOHNSTON - - -	Montclair, N. J.
IRVING M. ENGEL - - -		New York City	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board

CARL S. KLUMPP, President and General Manager

J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	P. COMPTON MILLER,
WESLEY S. TWIDDY - - Treas. and Asst. Secty.	Vice-Pres. in Charge of Real Estate
PAUL SHEPARD - - - - - Comptroller	ROBERT B. KAY - - Secty. and Asst. Treasurer
FLETCHER H. SILLICK - - - Asst. Comptroller	HARRY W. WEBBER - - - Purchasing Agent
JOHN E. BUCK - - - General Counsel	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

MARCH 6, 1937.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report of your Company's operations for the year ended December 31, 1936 is respectfully submitted.

The railroad traffic as compared with the year 1935 increased 2,483,259 passengers or three and twenty-six one hundredths (3.26%) per cent. While the number of passengers carried still falls far below the peak of 1928 and 1929, the upward trend which started a year ago and is continuing in the first two months of the current year justifies the belief heretofore expressed that, if and when business and employment again reach normal levels, our passenger revenues will likewise recover.

The net income from Hudson Terminal Buildings (in the item of "Net income other than railroad operations") for the year showed a reduction of \$13,176.12 as compared with the net income for 1935. The figure for 1935, however, was \$127,127.60 less than that for 1934. It is gratifying to note that the last three months of 1936 showed a definite upward trend in rentals, which would have been reflected in a net increase for the year over 1935 if we had not been obliged to make unusual, non-recurring expenditures for structural changes for the accommodation of new tenants.

Full interest on the First Lien & Refunding Bonds was earned and paid.

For the first six months of 1936, the aggregate surplus income available for the payment of interest on the Adjustment Income Bonds amounted to \$657,796.94, and of this amount, \$579,285.00, or \$17.50 per \$1,000 bond, including bonds reacquired and held by the Company, was paid on October 1, 1936. For the full year ended December 31, 1936, after deducting the payment of \$579,285.00 made on October 1, surplus income available for interest on these bonds aggregated \$623,472.52, and of this amount, \$560,000.00, or \$17.50 per \$1,000 bond, excluding bonds reacquired and held by the Company, has been authorized to be paid on April 1, 1937, making the total interest disbursed for the year 1936, three and one-half (3½%) per cent. Consequently, the unpaid and accumulated interest on these bonds, consisting of one-half of one (½%) per cent for the year 1934, one and one-half (1½%) per cent for the year 1935, plus one and one-half (1½%) per cent for the year 1936, is now a total of three and one-half (3½%) per cent.

No dividends were paid on the Preferred or Common Stocks of the Company.

The several agreements with the City of New York for the re-location of your Company's structures in Sixth Avenue, referred to in the report for 1935, were duly consummated during the past year and the work of re-location has begun. It is believed that this work can be successfully carried on without serious interference with the movement of trains. Under the terms of the Modifying Certificate granted by the City in this connection, its right of recapture of the Sixth Avenue structures, which accrued in 1935, has been deferred for a period of five years from the completion of such re-location, and in the event the City shall exercise its right of recapture, the Company then has the option, under certain conditions, of electing to have its railroad re-located in Sixth Avenue at a lower plane.

During the year, First Lien & Refunding Bonds of the par value of \$1,701,500, held in the Debt Discount Amortization Fund set up by direction of the New York Transit Commission and the New Jersey Board of Public Utility Commissioners, were canceled and retired, and by the surrender of rights to issue First Lien & Refunding Bonds of the par value of \$2,182,382.73 against expenditures for betterments theretofore made out of earnings, the Company's unfulfilled obligations to that Fund were extinguished. In connection with the foregoing transaction, cash and certain other securities aggregating \$192,962.56 in value, which had been held in that Fund, were released to the General Fund and the debit balance of \$1,818,349.19 in the Unamortized Debt Discount and Expense account was charged off against the Profit and Loss account.

The projected new stations of the Pennsylvania Railroad Company at Market Street and South Street in Newark are nearing completion. Rapid transit service from stations in Manhattan over Company lines to Journal Square, Jersey City, and over the Pennsylvania lines from that point, West, to the stations named, as provided by contract with the Pennsylvania Railroad Company, will be inaugurated during the current year.

The properties and structures of your Company have been efficiently maintained and are in excellent physical condition.

Grateful acknowledgment again is made by your Board of the diligence and loyalty of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,

WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

15 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

HUDSON & MANHATTAN RAILROAD COMPANY:

We have made an examination of the balance sheet of the Hudson & Manhattan Railroad Company at December 31, 1936, and of the statements of income and profit and loss for the year 1936. In connection therewith, we examined or tested accounting records of the company (which consistently have been kept in accordance with the Classification of Accounts prescribed by the Interstate Commerce Commission) and other supporting evidence. We also made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and profit and loss fairly present the company's position at December 31, 1936, and the results of its operations for the year.

HASKINS & SELLS

NEW YORK, FEBRUARY 24, 1937.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1936,
COMPARED WITH PREVIOUS YEAR

	1936	1935	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$5,606,045.71	\$5,498,734.64	\$ 107,311.07	
Advertising.....	99,000.00	103,000.00		\$ 4,000.00
Other car and station privileges.....	192,393.73	196,156.98		3,763.25
Rent of buildings and other property.....	104,500.08	104,500.08		
Miscellaneous transportation revenue.....	34,446.00	42,346.00		7,900.00
Other miscellaneous revenue.....	3,018.59	3,174.65		156.06
TOTAL RAILROAD OPERATING REVENUE.....	\$6,039,404.11	\$5,947,912.35	\$91,491.76	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 407,140.42	\$ 366,003.81	\$ 41,136.61	
Maintenance of equipment.....	404,113.82	396,197.20	7,916.62	
Power.....	512,394.14	501,698.84	10,695.30	
Transportation expenses.....	1,202,295.62	1,177,464.37	24,831.25	
General expenses.....	346,863.04	333,121.12	13,741.92	
TOTAL RAILROAD OPERATING EXPENSES.....	\$2,872,807.04	\$2,774,485.34	\$ 98,321.70	
NET REVENUE FROM RAILROAD OPERATION.....	\$3,166,597.07	\$3,173,427.01		\$ 6,829.94
TAXES APPLICABLE TO RAILROAD OPERATION.....	806,805.68	792,890.47	\$ 13,915.21	
RAILROAD OPERATING INCOME.....	\$2,359,791.39	\$2,380,536.54		\$ 20,745.15
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	609,170.09	618,530.97		9,360.88
OPERATING INCOME.....	\$2,968,961.48	\$2,999,067.51		\$ 30,106.03
NON-OPERATING INCOME.....	A 228,748.83	286,835.91		58,087.08
GROSS INCOME.....	\$3,197,710.31	\$3,285,903.42		\$ 88,193.11
Income Deductions other than Bond Interest:				
Rentals of tracks, yards and terminals.....	\$ 55,264.89	\$ 56,671.22		\$ 1,406.33
Amortization of debt discount.....	16,150.75	38,697.47		C 22,546.72
Miscellaneous deductions.....	64,814.86	105,123.72		C 40,308.86
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 136,230.50	\$ 200,492.41		\$ 64,261.91
NET INCOME APPLICABLE TO BOND INTEREST.....	\$3,061,479.81	\$3,085,411.01		\$ 23,931.20
INTEREST ON FIRST LIEN AND REFUNDING 5's AND FIRST MORTGAGE 4½'s.....	A 1,881,687.71	1,918,535.00		36,847.29
BALANCE.....	\$1,179,792.10	\$1,166,876.01	\$ 12,916.09	
INTEREST ON ADJUSTMENT INCOME 5% BONDS.....	B 1,627,550.00	1,655,100.00		\$ 27,550.00
DEFICIT FOR THE YEAR.....	\$ 447,757.90	\$ 488,223.99		\$ 40,466.09

- A. Does not include interest (from various dates since August 1) on \$200,000.00 First Lien and Refunding Mortgage bonds held in the Property Amortization Fund.
- B. Does not include interest (since July 1) on \$1,102,000.00 Adjustment Income Mortgage bonds held in the Property Amortization Fund.
- C. From and after June 1, 1936 monthly charges against income were discontinued, the Company having fulfilled the requirements of the New York Transit Commission and the New Jersey Board of Public Utility Commissioners for the establishment of the Debt Discount Amortization Fund, and the balance of the Unamortized Debt Discount and Expense was charged to profit and loss.

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1936

Credit Balance, December 31, 1935.....		\$3,263,265.18
Additions:		
Adjustment to bring to par first lien and refunding 5% bonds reacquired for sinking fund at a cost less than par.....	\$ 310,891.62	
Miscellaneous credits—Net.....	17,407.03	
Total.....		328,298.65
Total.....		<u>\$3,591,563.83</u>
Deductions:		
Deficit for the year ended December 31, 1936, as per income account.....	\$ 447,757.90	
Appropriations of surplus to sinking fund reserve.....	162,228.26	
Debt discount extinguished through surplus.....	1,818,349.19	
Miscellaneous appropriations of surplus—Funded debt retired through surplus, etc.....	2,188,382.73	
Total.....		4,616,718.08
Debit Balance, December 31, 1936.....		<u><u>\$1,025,154.25</u></u>

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....		\$111,544,028.62
Deposits in lieu of mortgaged property sold.....		300,007.67
Miscellaneous physical property.....		13,507,690.35

Investments in affiliated companies:

Stocks.....	\$ 2,000.00
Advances.....	41,807.25

43,807.25

Other investments:

Stocks.....	\$ 5,671.43
Bonds.....	396,714.70
Notes.....	291,028.13

693,414.26

Total investments..... \$126,088,948.15

Current Assets:

Cash.....	\$ 954,708.05
Special deposits.....	79,744.67
Notes receivable.....	12,693.73
Miscellaneous accounts receivable.....	182,056.80
Materials and supplies.....	389,022.79
Interest receivable.....	37,033.77
Other current assets.....	31,146.00

Total current assets..... 1,686,405.81

Deferred Assets:

Insurance and other funds (including \$1,302,000.00 par value of company's bonds)—At cost.....	\$ 5,484,862.28
Other deferred assets.....	59,245.11

Total deferred assets..... 5,544,107.39

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 26,562.19
Other unadjusted debits.....	20,136.85

Total unadjusted debits..... 46,699.04

TOTAL..... \$133,366,160.39

EXHIBIT No. 3

DECEMBER 31, 1936

LIABILITIES

Capital Stock:

Common Stock.....	\$ 39,995,385.00
Preferred Stock.....	5,242,938.75
Stock liability for conversion.....	11,626.25

Total Capital Stock.....	\$ 45,249,950.00
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Funded Debt:

First Mortgage 4½% bonds.....	\$67,148,000.00	
Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage.....	66,204,000.00	\$ 944,000.00
First lien and refunding mortgage 5% bonds.....		35,819,733.66
Adjustment income mortgage 5% bonds.....		33,102,000.00

Total funded debt.....	69,865,733.66
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Current Liabilities:

Audited accounts and wages payable.....	\$ 220,738.14
Miscellaneous accounts payable.....	11,125.19
Matured interest and dividends payable.....	89,173.06
Interest on adjustment income bonds outstanding in hands of the public, 1¾% declared February 25, 1937, payable April 1, 1937	560,000.00
Accrued interest and rents payable.....	761,059.75
Other current liabilities.....	56,285.25

Total current liabilities.....	1,698,381.39
--------------------------------	--------------

Deferred Liabilities:

Interest on adjustment income bonds outstanding in hands of the public, 3½% deferred.....	\$ 1,120,000.00
Other deferred liabilities.....	1,109.34

Total deferred liabilities.....	1,121,109.34
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Unadjusted Credits:

Tax liability.....	\$ 65,727.85
Operating reserves.....	33,317.70
Accrued depreciation—Road and equipment.....	4,828,244.71
Accrued depreciation—Miscellaneous physical property.....	5,671,819.30
Other unadjusted credits.....	395,552.84

Total unadjusted credits.....	10,994,662.40
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Corporate Surplus:

Funded debt retired through surplus.....	\$ 4,924,382.73
Miscellaneous fund reserves.....	537,095.12
Profit and loss—Balance.....	1,025,154.25

Total corporate surplus.....	4,436,323.60
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TOTAL.....	\$133,366,160.39
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NOTES: Contingent upon the outcome of a case now pending in the Internal Revenue Bureau, there is a possible tax liability of approximately \$150,000.00 or a possible refund of approximately \$100,000.00.

Under the act imposing taxes to provide revenues for the Railroad Retirement Act of 1935, the Company has a possible liability of approximately \$70,000.00, the accrual of which has been deferred pending a judicial determination of the constitutionality of said act and the status of the Hudson & Manhattan Railroad Company as an electric interurban thereunder.

Contingent upon the final decision in cases now pending before the Comptroller of the City of New York, there is a possible tax liability of approximately \$100,000.00 for taxes largely upon the revenues of the Hudson Terminal Buildings under local laws imposing excise taxes upon the gross earnings of public utilities doing business in the City of New York.

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1936

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	\$1,000	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2)\$35,819,733.66	Central Hanover Bank & Trust Co. of N. Y. Guaranty Trust Co. of N. Y. Guaranty Trust Co. of N. Y.
Adjustment Income Mortgage.....	500	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 33,102,000.00	
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	
						\$99,518,000.00	\$69,865,733.66	

- (1) The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.
- (2) \$1,701,500.00 par value of First Lien and Refunding Mortgage bonds were cancelled and retired as of August 31, 1936. Of the remaining \$35,819,733.66 of bonds \$200,000.00 have been reacquired by the Company and are being held in the Property Amortization Fund.
- (3) \$1,102,000.00 par value of Adjustment Income Mortgage bonds have been reacquired by the Company and are being held in the Property Amortization Fund.



TWENTY-NINTH
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1937



TWENTY-NINTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1937



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

TWENTY-NINTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1937

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE	- - -	New York City	H. HOBART PORTER	- - -	New York City
JEROME J. HANAUER	- - -	Greenburg, N. Y.	J. VIPOND DAVIES	- - -	Flushing, N. Y.
ALBERT H. WIGGIN	- - -	New York City	CARL S. KLUMPP	- - -	New York City
WM. HENRY BARNUM	- - -	New York City	PERCY H. JOHNSTON	- - -	Montclair, N. J.
IRVING M. ENGEL			- - -	New York City	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board

CARL S. KLUMPP, President and General Manager

J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	P. COMPTON MILLER,
WESLEY S. TWIDDY - - Treas. and Asst. Secty.	Vice-Pres. in Charge of Real Estate
PAUL SHEPARD - - - - - Comptroller	ROBERT B. KAY - - Secty. and Asst. Treasurer
FLETCHER H. SILLICK - - Asst. Comptroller	HARRY W. WEBBER - - - Purchasing Agent
JOHN E. BUCK - - - General Counsel	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 1, 1938.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report of your Company's operations for the year ended December 31, 1937 is respectfully submitted.

The slight upward trend in railroad traffic which began early in 1936 continued until October, 1937, at which time a progressive downward trend in business and industry generally manifested itself. As a consequence of this recession, the total number of passengers carried during the year was 478,491 less than the number carried in 1936, a decrease of .6%. The current rate of decrease which is still accelerating is much higher than is indicated by a comparison between the traffic figures for 1937 and 1936.

The gross rentals of Hudson Terminal Buildings in 1937 were \$34,374.68 more than the rentals in 1936. However, because of substantially increased operating expenses, including taxes as well as certain non-recurring items, the net income of Hudson Terminal Buildings for the year 1937 was \$75,464.39 less than that of 1936. The trend of gross rentals is still upward, but it is doubtful whether the peak of taxes and operating expenses has yet been reached.

Full interest on the First Lien & Refunding Bonds was earned and paid. No dividends were paid on the Preferred or Common Stocks of the Company.

For the first six months of 1937, the aggregate surplus income available for payment of interest on the Adjustment Income Bonds amounted to \$615,357.58, and of this amount, \$549,797.50, or \$17.50 per \$1,000 bond outstanding in the hands of the public was paid on October 1, 1937. For the full year ended December 31, 1937, after deducting the payment of \$549,797.50 made on October 1, surplus income available for interest on these bonds aggregated \$492,001.04, and of this amount, \$469,260.00, or \$15.00 per \$1,000 bond outstanding in the hands of the public has been authorized to be paid on April 1, 1938, making the total interest disbursed for the year 1937, $3\frac{1}{4}\%$. Consequently, the unpaid and accumulated interest on these bonds is now a total of $5\frac{1}{4}\%$, made up as follows: For the year 1934, $\frac{1}{2}\%$; for the year 1935, $1\frac{1}{2}\%$; for the year 1936, $1\frac{1}{2}\%$, and for the year 1937, $1\frac{3}{4}\%$.

Confronted by increasing deficits in net income due to increased wages, taxes and other operating expenses notwithstanding the consistent practice of rigid economies, your Board became convinced by the middle of the year that increased revenue could only be obtained by increasing the fare on the downtown line from six cents to ten cents, making it uniform with the fare on the uptown line. The capital investment in our railroad properties fully justifies the return which would result from such increased fare. Moreover, a general order of the Interstate Commerce Commission, effective June 1, 1936, permitted interstate carriers to establish a minimum charge of ten cents for all classes of equipment. Accordingly, on July 31, 1937, we promulgated a local passenger tariff known as I. C. C. No. 42, establishing a ten cent fare on the downtown line, effective September 1, 1937.

Following protests filed by various New Jersey municipal and civic organizations, the Interstate Commerce Commission, on August 17, 1937, suspended the

revised tariff and ordered a public hearing thereon. The hearing so ordered by the Commission was held February 16 to 21, 1938. A final decision in the matter is hoped for within the next 90 days.

Rapid transit service was inaugurated to the new Pennsylvania Station at Market Street, Newark, June 20, 1937, and at that time service to Park Place was discontinued. As yet, the increased patronage hoped for, by reason of the improved terminal and transfer facilities at Newark, has not developed. It is believed, however, that potentially there is substantially more traffic for the Hudson & Manhattan's joint service with the Pennsylvania Railroad at the Market Street Station than there was at Park Place.

The relocation of your Company's structures in Sixth Avenue, New York City, made necessary by the construction of the City-owned subway, progressed during the year. Pursuant to the terms of our contract with the City relative thereto, it was necessary, in order to permit the work to proceed at the intersection of 33rd Street with Broadway and Sixth Avenue, to suspend service, beginning December 26, 1937, to our terminal at 33rd Street. During the period of reconstruction at 33rd Street, we are operating into a temporary terminal at 28th Street and Sixth Avenue. The entire expense of relocating and rebuilding our structures in Sixth Avenue is borne by the City. Our engineers are cooperating with the City's engineers to the end that our service can be resumed to a new and improved terminal at 33rd Street at the earliest possible date.

Although the Hudson & Manhattan is subject to certain Federal statutes affecting interstate carriers, other such statutes by their terms expressly exempt carriers which are interurban electric railways not operating as a part of a general steam railroad system of transportation. In order to clarify the Company's status under certain such acts recently enacted by Congress, actions were instituted by the Company in the United States courts. In a decision rendered February 4, 1938, Hon. John M. Woolsey, Judge of the United States District Court for the Southern District of New York, sustained your Company's contention that Hudson & Manhattan is an interurban electric railway within the exemption of the Railway Labor Act, and therefore is not subject to the provisions thereof. The time within which the Government may appeal from this decision has not yet expired. It is a consequence of Judge Woolsey's decision that the Company is subject to the provisions of the National Labor Relations Act. Based on Judge Woolsey's decision, our counsel are of the opinion that the Hudson & Manhattan is not subject to the provisions of certain other acts of Congress containing exemptions similar to that contained in the Railway Labor Act.

The properties and structures of your Company have been efficiently maintained and are in excellent physical condition.

Again grateful acknowledgment is made by your Board of the diligence and loyalty of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,

WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

HUDSON & MANHATTAN RAILROAD COMPANY:

We have made an examination of the balance sheet of the Hudson & Manhattan Railroad Company at December 31, 1937, and of the statements of income and profit and loss for the year 1937. In connection therewith, we examined or tested accounting records of the company (which consistently have been kept in accordance with the Classification of Accounts prescribed by the Interstate Commerce Commission) and other supporting evidence. We also made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and profit and loss fairly present the company's position at December 31, 1937, and the results of its operations for the year.

HASKINS & SELLS

NEW YORK, FEBRUARY 28, 1938.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1937,
COMPARED WITH PREVIOUS YEAR

	1937	1936	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$5,709,275.73	\$5,606,045.71	\$ 103,230.02	
Advertising.....	103,000.00	99,000.00	4,000.00	
Other car and station privileges.....	168,673.19	192,393.73		\$ 23,720.54
Rent of buildings and other property.....	102,416.68	104,500.08		2,083.40
Miscellaneous transportation revenue.....	25,320.38	34,446.00		9,125.62
Other miscellaneous revenue.....	3,149.26	3,018.59	130.67	
TOTAL RAILROAD OPERATING REVENUES.....	\$6,111,835.24	\$6,039,404.11	\$72,431.13	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 429,624.33	\$ 407,140.42	\$ 22,483.91	
Maintenance of equipment.....	434,335.85	404,113.82	30,222.03	
Power.....	513,749.51	512,394.14	1,355.37	
Transportation expenses.....	1,292,269.41	1,202,295.62	89,973.79	
General expenses.....	376,766.46	346,863.04	29,903.42	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,046,745.56	\$2,872,807.04	\$ 173,938.52	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$3,065,089.68	\$3,166,597.07		\$ 101,507.39
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	850,419.48	806,805.68	\$ 43,613.80	
RAILROAD OPERATING INCOME.....	\$2,214,670.20	\$2,359,791.39		\$ 145,121.19
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	530,768.47	609,170.09		78,401.62
OPERATING INCOME.....	\$2,745,438.67	\$2,968,961.48		\$ 223,522.81
NON-OPERATING INCOME	A 146,623.19	228,748.83		82,125.64
GROSS INCOME.....	\$2,892,061.86	\$3,197,710.31		\$ 305,648.45
Income Deductions other than Bond Interest:				
Rent for tracks, yards and terminals.....	\$ 56,740.14	\$ 55,264.89	\$ 1,475.25	
Amortization of debt discount.....		16,150.75		C \$ 16,150.75
Miscellaneous deductions.....	42,280.22	64,814.86		C 22,534.64
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 99,020.36	\$ 136,230.50		\$ 37,210.14
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,793,041.50	\$3,061,479.81		\$ 268,438.31
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	A 1,814,715.48	1,881,687.71		66,972.23
BALANCE.....	\$ 978,326.02	\$1,179,792.10		\$ 201,466.08
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	B 1,566,527.50	1,627,550.00		\$ 61,022.50
DEFICIT FOR THE YEAR.....	\$ 588,201.48	\$ 447,757.90	\$ 140,443.58	

- A. Does not include interest on \$576,000.00 First Lien and Refunding Mortgage bonds held in the Property Amortization Fund.
B. Does not include interest on \$1,818,000.00 Adjustment Income Mortgage bonds held in the Property Amortization Fund.
C. From and after June 1, 1936 monthly charges against income were discontinued, the Company having fulfilled the requirements of the New York Transit Commission and the New Jersey Board of Public Utility Commissioners for the establishment of the Debt Discount Amortization Fund, and the balance of the Unamortized Debt Discount and Expense was charged to profit and loss.

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1937

Debit Balance, December 31, 1936.....	\$1,025,154.25
Additions:	
Deficit for the year ended December 31, 1937, per income account.....	588,201.48
Miscellaneous appropriations of Surplus.....	6,000.00
Total.....	<u>\$1,619,355.73</u>
Deductions:	
Miscellaneous Credits—Net.....	24,050.17
Debit Balance, December 31, 1937.....	<u><u>\$1,595,305.56</u></u>

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....	\$111,243,799.95
Deposits in lieu of mortgaged property sold.....	300,007.67
Miscellaneous physical property.....	13,509,259.57

Investments in affiliated companies:

Stocks.....	\$ 2,000.00
Advances.....	41,807.25

43,807.25

Other investments:

Stocks.....	\$ 5,671.08
Bonds.....	330,125.68
Notes.....	360,890.63

696,687.39

Total investments..... \$125,793,561.83

Current Assets:

Cash.....	\$ 662,723.66
Special deposits.....	84,633.42
Notes receivable.....	8,732.52
Miscellaneous accounts receivable.....	195,079.92
Material and supplies.....	409,078.09
Interest receivable.....	35,015.83
Other current assets.....	31,168.00

Total current assets..... 1,426,431.44

Deferred Assets:

Insurance and other funds (including \$2,394,000.00 par value of company's bonds)—At cost.....	\$ 5,958,567.32
Other deferred assets.....	31,552.97

Total deferred assets..... 5,990,120.29

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 32,528.04
Other unadjusted debits.....	51,355.21

Total unadjusted debits..... 83,883.25

TOTAL..... \$133,293,996.81

EXHIBIT No. 3

DECEMBER 31, 1937

LIABILITIES

Capital Stock:		
Common Stock.....	\$ 39,995,385.00	
Preferred Stock.....	5,242,938.75	
Stock liability for conversion.....	11,626.25	
Total Capital Stock.....		\$ 45,249,950.00
Funded Debt:		
First Mortgage 4½% bonds.....	\$67,148,000.00	
Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage.....	66,204,000.00	\$ 944,000.00
First lien and refunding mortgage 5% bonds.....		35,819,733.66
Adjustment income mortgage 5% bonds.....		33,102,000.00
Total funded debt.....		69,865,733.66
Current Liabilities:		
Audited accounts and wages payable.....	\$ 208,438.27	
Miscellaneous accounts payable.....	10,812.93	
Matured interest and dividends payable.....	94,061.81	
Interest on adjustment income bonds outstanding in hands of the public, 1½% declared February 10, 1938, payable April 1, 1938	469,260.00	
Accrued interest and rents payable.....	753,288.94	
Other current liabilities.....	36,922.11	
Total current liabilities.....		1,572,784.06
Deferred Liabilities:		
Interest on adjustment income bonds outstanding in hands of the public, 5¼% deferred.....	\$ 1,642,410.00	
Other deferred liabilities.....	3,502.15	
Total deferred liabilities.....		1,645,912.15
Unadjusted Credits:		
Tax liability.....	\$ 87,329.34	
Operating reserves.....	27,185.43	
Accrued depreciation—Road and equipment.....	5,062,677.38	
Accrued depreciation—Miscellaneous physical property.....	5,912,014.95	
Other unadjusted credits.....	27,514.40	
Total unadjusted credits.....		11,116,721.50
Corporate Surplus:		
Funded debt retired through surplus.....	\$ 4,924,382.73	
Miscellaneous fund reserves.....	513,818.27	
Profit and loss—Balance (Deficit).....	1,595,305.56	
Total corporate surplus.....		3,842,895.44
TOTAL.....		\$133,293,996.81

NOTES: Contingent upon the outcome of a case now pending in the Internal Revenue Bureau, there is a possible tax liability of approximately \$150,000.00 or a possible refund of approximately \$100,000.00.

Under the act imposing taxes to provide revenues for the Carriers Taxing Act of 1937, the Company has a possible liability of approximately \$47,000.00, the accrual of which has been deferred pending a judicial determination of the constitutionality of said act and the status of the Hudson & Manhattan Railroad Company as an electric interurban thereunder.

Contingent upon the final decision in cases now pending before the Comptroller of the City of New York, there is a possible tax liability of approximately \$100,000.00 for taxes, largely upon the revenues of the Hudson Terminal Buildings, under local laws imposing excise taxes upon the gross earnings of public utilities doing business in the City of New York.

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1937

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	\$1,000	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2)\$35,819,733.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	500	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 33,102,000.00	
First Mortgage.....	100	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
	1,000					\$99,518,000.00	\$69,865,733.66	

- (1) The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.
- (2) \$1,701,500.00 par value of First Lien and Refunding Mortgage bonds were cancelled and retired as of August 31, 1936. \$13,400.00 par value of these bonds were retired June 14, 1916. Of the remaining \$35,819,733.66 of bonds \$576,000.00 have been reacquired by the Company and are being held in the Property Amortization Fund.
- (3) \$1,818,000.00 par value of Adjustment Income Mortgage bonds have been reacquired by the Company and are being held in the Property Amortization Fund.



THIRTIETH
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1938



THIRTIETH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1938



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTIETH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1938

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE	- - -	New York City	J. VIPOND DAVIES	- - -	Flushing, N. Y.
ALBERT H. WIGGIN	- - -	New York City	CARL S. KLUMPP	- - -	New York City
WM. HENRY BARNUM	- - -	New York City	PERCY H. JOHNSTON	- - -	Montclair, N. J.
H. HOBART PORTER	- - -	New York City	IRVING M. ENGEL	- - -	New York City
LEWIS L. STRAUSS			- - -	New York City	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board
CARL S. KLUMPP, President and General Manager

J. VIPOND DAVIES, Vice-Pres. and Chief Engineer	P. COMPTON MILLER,
WESLEY S. TWIDDY - - Treas. and Asst. Secty.	Vice-Pres. in Charge of Real Estate
PAUL SHEPARD - - - - - Comptroller	ROBERT B. KAY - - Secty. and Asst. Treasurer
FLETCHER H. SILICK - - Asst. Comptroller	HARRY W. WEBBER - - - Purchasing Agent
JOHN E. BUCK - - - General Counsel	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 8, 1939.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report of your Company's operations for the year ended December 31, 1938 is respectfully submitted.

Closely following the downward trend in business and industry generally, which began in October, 1937 and continued with accelerated speed throughout nearly all of the following year, Hudson & Manhattan Railroad carried 3,519,609 fewer passengers in the first six months of 1938 than in the corresponding period of 1937. The number of passengers carried in the entire calendar year 1938 was 9,475,121 less than in 1937. During December, 1938, a slight improvement in traffic began, which has become somewhat more pronounced during the first two months of 1939.

Again in 1938, the gross rentals of Hudson Terminal Buildings compared favorably with the gross rentals of the preceding year, but again, the increase in taxes, wages and other operating expenses adversely affected the net income of the buildings. It is believed that the abandonment of service on the Sixth Avenue Elevated line and the removal of its structures now in progress will materially increase the desirability and rentability of the extensive office space in Hudson Terminal Buildings which abuts upon Church Street.

It will be recalled that to meet the progressively increasing deficits caused by increased taxes, wages and other expenses incident to railroad operations, as well as loss of traffic caused by the construction of competing trans-Hudson passenger facilities, on July 31, 1937, your Company instituted proceedings before the Interstate Commerce Commission to raise the fare on its downtown line, that is to say, between stations in New Jersey and Hudson Terminal, from six to ten cents, the fare authorized on its uptown line then and now. After protracted hearings in New York and Washington, the Commission issued an order, effective July 25, 1938, denying the application for an increase to ten cents but authorizing a maximum fare of eight cents.

While this increase of two cents has materially improved the earnings of the downtown line, your Company's aggregate revenues during 1938, as well as during the first two months of 1939, have, notwithstanding the practice of rigid economies, fallen far short of a sum sufficient to meet the interest on its bonds presently outstanding. Accordingly, after making a further application to the Interstate Commerce Commission for a reconsideration of its order, which application was denied, we instituted on the 23rd day of February, 1939, in effect an appeal from the order of the Commission, by filing in the District Court of the United States for the Southern District of New York, our Bill of Complaint whereby an injunction is prayed for, restraining the Commission from prescribing and limiting the Hudson & Manhattan Railroad to an eight-cent fare on its downtown line. This action will be pressed to an early hearing to the end that the additional passenger revenue obviously so greatly needed by your Company may be obtained if possible.

At the time the eight-cent fare became effective there was, as had been anticipated, an appreciable diversion of traffic from the downtown line to the ferries. It should be noted in this connection, however, that whereas during 1938 as compared with 1937 the loss of traffic on the uptown line and the joint service between Newark and New York, which together carried 39.4 per cent. of the whole traffic, was 5,820,829 passengers,

the loss on the downtown line, which carried 55.9 per cent. of the whole traffic, was only 3,636,067 passengers, notwithstanding the increase in fare effective for more than five months. Moreover, whereas by the same comparison the uptown and Newark lines showed a combined loss of \$616,628.50 in revenue, the downtown line showed a gain for the year of \$77,116.94.

Full interest on the First Mortgage and First Lien & Refunding Bonds outstanding in the hands of the public was earned and paid. No dividends were paid on the Preferred or Common Stocks of the Company.

Upon the Adjustment Income Bonds which bear cumulative interest at 5% per annum payments have been made and authorized as follows: for the first six months of 1938, the aggregate surplus income available was \$140,404.01, of which amount, \$77,887.50, or \$2.50 on each \$1,000 bond outstanding in the hands of the public was paid October 1, 1938. For the full year ended December 31, 1938, after deducting the payment of \$77,887.50 made October 1, surplus income available aggregated \$194,151.83, of which amount, \$153,825.00, or \$5.00 on each \$1,000 bond outstanding in the hands of the public has been authorized to be paid April 1, 1939, making the total interest disbursed for the year 1938, three-quarters ($\frac{3}{4}\%$) of one per cent. Consequently, the unpaid and accumulated interest on the Adjustment Income Bonds now aggregates $9\frac{1}{2}\%$, made up as follows: for the year 1934, $\frac{1}{2}\%$; for 1935, $1\frac{1}{2}\%$; for 1936, $1\frac{1}{2}\%$; for 1937, $1\frac{3}{4}\%$; and for 1938, $4\frac{1}{4}\%$.

The work of relocating your Company's structures in Sixth Avenue, New York City, made necessary by the construction of the City-owned subway line, has progressed according to schedule. Hudson & Manhattan Railroad should be operating to and from its new and greatly improved terminal at 33rd Street and Sixth Avenue before the end of the year, at which time substantially increased patronage for the uptown line is confidently anticipated.

With deep sorrow record is made of the untimely death of Jerome J. Hanauer, September 3, 1938. His long service as a Director, which began July 17, 1913, was of incalculable value to your Company.

Mr. Lewis L. Strauss, member of Kuhn, Loeb & Company, was elected a director, September 22, 1938, to fill the vacancy caused by the death of Mr. Hanauer.

The properties and structures of your Company have been efficiently maintained and are in excellent physical condition.

Again grateful acknowledgment is made by your Board of the diligence and loyalty of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,

WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

HUDSON & MANHATTAN RAILROAD COMPANY:

We have made an examination of the balance sheet of the Hudson & Manhattan Railroad Company at December 31, 1938, and of the statements of income and profit and loss for the year 1938. In connection therewith, we examined or tested accounting records of the company (which consistently have been kept in accordance with the Classification of Accounts prescribed by the Interstate Commerce Commission) and other supporting evidence. We also made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and profit and loss fairly present the company's position at December 31, 1938, and the results of its operations for the year.

HASKINS & SELLS

NEW YORK, FEBRUARY 20, 1939.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1938,
COMPARED WITH PREVIOUS YEAR

	1938	1937	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$5,168,852.92	\$5,709,275.73		\$ 540,422.81
Advertising.....	83,500.00	103,000.00		19,500.00
Other car and station privileges.....	152,348.97	168,673.19		16,324.22
Rent of buildings and other property.....	102,000.00	102,416.68		416.68
Miscellaneous transportation revenue.....	24,165.13	25,320.38		1,155.25
Other miscellaneous revenue.....	9,429.47	3,149.26	\$ 6,280.21	
TOTAL RAILROAD OPERATING REVENUES.....	\$5,540,296.49	\$6,111,835.24		\$ 571,538.75
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 446,404.27	\$ 429,624.33	\$ 16,779.94	
Maintenance of equipment.....	425,626.40	434,335.85		\$ 8,709.45
Power.....	510,621.37	513,749.51		3,128.14
Transportation expenses.....	1,350,165.10	1,292,269.41	57,895.69	
General expenses.....	370,035.47	376,766.46		6,730.99
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,102,852.61	\$3,046,745.56	\$ 56,107.05	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,437,443.88	\$3,065,089.68		\$ 627,645.80
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	964,127.37	850,419.48	\$ 113,707.89	
RAILROAD OPERATING INCOME.....	\$1,473,316.51	\$2,214,670.20		\$ 741,353.69
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	526,337.21	530,768.47		4,431.26
OPERATING INCOME.....	\$1,999,653.72	\$2,745,438.67		\$ 745,784.95
NON-OPERATING INCOME.....	140,813.77	146,623.19		5,809.42
GROSS INCOME.....	\$2,140,467.49	\$2,892,061.86		\$ 751,594.37
Income Deductions other than Bond Interest:				
Rent for tracks, yards and terminals.....	\$ 57,915.11	\$ 56,740.14	\$ 1,174.97	
Miscellaneous deductions.....	32,977.35	42,280.22		\$ 9,302.87
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 90,892.46	\$ 99,020.36		\$ 8,127.90
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,049,575.03	\$2,793,041.50		\$ 743,466.47
INTEREST ON FIRST LIEN AND REFUNDING 5's AND FIRST MORTGAGE 4½'s OUTSTANDING IN HANDS OF THE PUBLIC	1,796,482.52	1,814,715.48		18,232.96
BALANCE.....	\$ 253,092.51	\$ 978,326.02		\$ 725,233.51
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,539,225.00	1,566,527.50		27,302.50
DEFICIT FOR THE YEAR.....	\$1,286,132.49	\$ 588,201.48	\$ 697,931.01	

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1938

Debit Balance, December 31, 1937.....	\$1,595,305.56
Additions:	
Deficit for the year ended December 31, 1938, per income account.....	1,286,132.49
Miscellaneous appropriations of Surplus.....	6,000.00
Total.....	<u>\$2,887,438.05</u>
Deductions:	
Miscellaneous Credits—Net.....	5,890.53
Debit Balance, December 31, 1938.....	<u><u>\$2,881,547.52</u></u>

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....	\$111,230,161.53
Deposits in lieu of mortgaged property sold.....	300,007.67
Miscellaneous physical property.....	13,485,776.75

Investments in affiliated companies:

Stocks.....	\$ 2,000.00
Advances.....	41,807.25

43,807.25

Other investments:

Stocks.....	\$ 5,671.08
Bonds.....	284,673.50
Notes.....	99,890.63

390,235.21

Total investments.....	\$125,449,988.41
------------------------	------------------

Current Assets:

Cash.....	\$ 693,526.13
Special deposits.....	80,114.67
Notes receivable.....	9,117.33
Miscellaneous accounts receivable.....	207,667.25
Material and supplies.....	367,112.90
Interest receivable.....	28,317.71
Other current assets.....	32,963.15

Total current assets.....	1,418,819.14
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Deferred Assets:

Insurance and other funds (including \$3,250,000.00 par value of company's bonds)—At cost.....	\$ 6,432,272.36
Other deferred assets.....	22,011.15

Total deferred assets.....	6,454,283.51
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Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 31,270.92
Other unadjusted debits.....	51,256.00

Total unadjusted debits.....	82,526.92
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TOTAL.....	\$133,405,617.98
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EXHIBIT No. 3

DECEMBER 31, 1938

LIABILITIES

Capital Stock:

Common Stock.....	\$ 39,995,385.00
Preferred Stock.....	5,242,938.75
Stock liability for conversion.....	11,626.25

Total Capital Stock..... \$ 45,249,950.00

Funded Debt:

First Mortgage 4½% bonds.....	\$67,148,000.00	
Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage.....	66,204,000.00	\$ 944,000.00
First lien and refunding mortgage 5% bonds.....		35,819,733.66
Adjustment income mortgage 5% bonds.....		33,102,000.00

Total funded debt..... 69,865,733.66

Current Liabilities:

Audited accounts and wages payable.....	\$ 191,247.68
Miscellaneous accounts payable.....	13,117.87
Matured interest and dividends payable.....	89,543.06
Interest on adjustment income bonds outstanding in hands of the public, ½% declared February 9, 1939, payable April 1, 1939	153,825.00
Accrued interest and rents payable.....	746,267.70
Other current liabilities.....	2,628.47

Total current liabilities..... 1,196,629.78

Deferred Liabilities:

Interest on adjustment income bonds outstanding in hands of the public, 9½% deferred.....	\$ 2,922,675.00
Other deferred liabilities.....	2,587.26

Total deferred liabilities..... 2,925,262.26

Unadjusted Credits:

Tax liability.....	\$ 133,293.85
Operating reserves.....	16,472.06
Accrued depreciation—Road and equipment.....	5,283,997.14
Accrued depreciation—Miscellaneous physical property.....	6,152,878.95
Other unadjusted credits.....	26,831.56

Total unadjusted credits..... 11,613,473.56

Corporate Surplus:

Funded debt retired through surplus.....	\$ 4,924,382.73
Miscellaneous fund reserves.....	511,733.51
Profit and loss—Balance (Deficit).....	2,881,547.52

Total corporate surplus..... 2,554,568.72

TOTAL..... \$133,405,617.98

NOTES: Contingent upon the outcome of a case now pending in the Internal Revenue Bureau, there is a possible tax liability of approximately \$150,000.00 or a possible refund of approximately \$100,000.00.

Contingent upon the final decision in cases now pending before the Comptroller of the City of New York, there is a possible tax liability of approximately \$50,000.00 for taxes, largely upon the revenues of the Hudson Terminal Buildings, under local laws imposing excise taxes upon the gross earnings of public utilities doing business in the City of New York.

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1938

CLASS OF BONDS	Denom-ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	{ \$1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2)\$35,819,733.66	Central Hanover Bank & Trust Co. of N. Y. Guaranty Trust Co. of N. Y. Guaranty Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 33,102,000.00	
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	
						\$99,518,000.00	\$69,865,733.66	

- (1) The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.
- (2) \$1,701,500.00 par value of First Lien and Refunding Mortgage bonds were cancelled and retired as of August 31, 1936. \$13,400.00 par value of these bonds were retired June 14, 1916. Of the remaining \$35,819,733.66 of bonds \$913,000.00 have been reacquired by the Company and are being held in the Property Amortization Fund.
- (3) \$2,337,000.00 par value of Adjustment Income Mortgage bonds have been reacquired by the Company and are being held in the Property Amortization Fund.



THIRTY-FIRST
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1939



THIRTY-FIRST

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1939



HUDSON TERMINAL BUILDINGS

(CHURCH STREET FRONT MODERNIZED)

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTY-FIRST ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1939

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE	- - -	New York City	CARL S. KLUMPP	- - -	New York City
ALBERT H. WIGGIN	- - -	New York City	PERCY H. JOHNSTON	- - -	Montclair, N. J.
WM. HENRY BARNUM	- - -	New York City	IRVING M. ENGEL	- - -	New York City
H. HOBART PORTER	- - -	New York City	LEWIS L. STRAUSS	- - -	New York City
KELLEY GRAHAM			- - -	Jersey City, N. J.	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board

CARL S. KLUMPP, President and General Manager

P. COMPTON MILLER,	WESLEY S. TWIDDY	- Treas. and Asst. Secty.
Vice-Pres. in Charge of Real Estate	ROBERT B. KAY	- Secty. and Asst. Treasurer
PAUL SHEPARD - - - - -	HARRY W. WEBBER	- - Purchasing Agent
Comptroller	JOHN E. BUCK	- - - - - General Counsel
FLETCHER H. SILICK - -		
Asst. Comptroller		

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 7, 1940.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

Transmitted herewith is a condensed report of your Company's fiscal operations during the year ended December 31, 1939, as audited by Messrs. Haskins & Sells, Certified Public Accountants.

1939, the first calendar year of operation under the eight-cent fare authorized by the Interstate Commerce Commission on Hudson & Manhattan's downtown line, showed a reversal in the consistent progression of deficits which began in 1934 and in 1938 reached a peak of \$1,286,132.49. The deficit resulting from all operations in 1939 was \$993,393.66.

Notwithstanding the abnormally low level of general business which prevailed during the first eight months of the year and the curtailment of passenger service in Sixth Avenue by reason of the relocation of your Company's structures during that period, passenger revenues increased \$258,523.50, or 5 per cent, as compared with 1938. Railroad operating expenses, by the same comparison, increased \$32,761.87, or 1.1 per cent.

Full interest on the First Mortgage and First Lien and Refunding Bonds in the hands of the public was earned and paid. No dividends were paid on the Preferred or Common Stocks of the Company.

Upon the Adjustment Income Bonds, which bear cumulative interest at 5 per cent per annum, payments have been made and authorized as follows: For the first six months of 1939, 1 per cent, or \$10.00 per thousand dollar bond, was paid October 1, 1939, and for the last six months of the year, $\frac{3}{4}$ of 1 per cent, or \$7.50 per thousand dollar bond, will be paid April 1, 1940. The total payment of $1\frac{1}{4}$ per cent, or \$17.50 per thousand dollar bond, compares with $\frac{3}{4}$ of 1 per cent, or \$7.50 per thousand dollar bond, earned and paid for 1938. The accumulated arrearage of interest on the Adjustment Income Bonds, after the payment to be made April 1 next, will amount to $12\frac{3}{4}$ per cent.

A few comparisons between the results of operations in the years 1933 and 1939 are illuminating. Due to progressively increasing competition by other trans-Hudson facilities, passenger revenues in 1939 were 1.3 per cent less than in 1933. Railroad operating expenses, chiefly reflecting wage increases and changes in working conditions of employees, were 21 per cent greater in 1939 than in 1933. By the same comparison, taxes applicable to railroad operations, which in 1939 amounted to 16 $\frac{2}{3}$ cents of each dollar of passenger revenue, were 12 per cent greater. In 1939 taxes applicable to all operations of your Company were 13.6 per cent more than such taxes in 1933. The aggregate of all of the thirteen different kinds of direct Municipal, State and Federal taxes paid by your Company in 1939 was \$1,216,241.69, equivalent to \$2.68 on each share of capital stock outstanding.

Every proper effort is, of course, made to the end that taxes paid by your Company shall not be more than its just share. In 1939 taxes applicable to railroad operations as set forth in Exhibit No. 1 of the report were \$62,447.51 less than the amount paid in 1938. In this connection, however, it should be noted that in January, 1938, a Federal tax of \$36,154.93 upon the railroad payroll for 1937, and properly applicable to that year, was assessed and paid. Moreover, in 1940 this payroll tax, by reason of an increase in the rate from $2\frac{3}{4}$ per cent to 3 per cent, will be increased.

As soon as the structures of the Sixth Avenue Elevated line were removed in Church Street, steps were taken to modernize the Church Street elevations and main lobbies of Hudson Terminal Buildings. The structural changes now substantially completed, which will be followed by steam cleaning of the exterior walls of both buildings, contribute attractiveness in the modern style to the exceptional convenience which these office buildings afford, by reason of their location and transportation facilities. It is confidently anticipated that if and when general business in lower Manhattan again expands, Hudson Terminal Buildings will attract their full share of desirable tenants. The decrease in "Net income other than railroad operations," amounting to \$74,250.30, appearing in Exhibit No. 1 of the report, reflects the cost of the building improvements chargeable to expense, also loss of rentals due to the removal from Manhattan of two tenants requiring extensive offices.

A disputed income tax liability for the years 1928 to 1932, inclusive, to which reference has been repeatedly made in footnotes appended to the General Balance Sheets in your Company's annual reports, was compromised during the year by the payment of \$18,431.18 plus interest.

Late in September of last year the work of relocating your Company's structures in Sixth Avenue was completed and passenger service was restored to the new and greatly improved terminal at 33rd Street, effecting immediately a gratifying increase in traffic on the uptown line. In January, 1940, 185,895, or 16 per cent, more passengers were carried on the uptown line than in January, 1939.

The appeal from the order of the Interstate Commerce Commission prescribing and limiting Hudson & Manhattan Railroad to an eight-cent fare on its downtown line, referred to in our letter to stockholders dated March 8, 1939, was transferred to the United States District Court for New Jersey and was reached for trial and submitted to that Court late in the year. A decision is expected shortly.

The increase in fare from six to eight cents authorized on the downtown line has produced a substantial increase in passenger revenues, and a further increase to ten cents—the fare authorized upon the uptown line—for which we are contending, if granted, will add further revenues which are sorely needed. However, it is obvious that an additional two cents upon the average traffic moving over the downtown line during the past three years will not produce sufficient additional revenue to enable your Company to meet its present interest obligations, to accomplish which the ten-cent fare must be supplemented by a substantial revival of business in lower Manhattan.

**With deep regret record is made of the death of J. Vipond Davies,
Vice-President, Director and Chief Engineer, October 4, 1939.**

Mr. Kelley Graham, President of the First National Bank of Jersey City, was elected a director, November 9, 1939, to fill the vacancy caused by the death of Mr. Davies.

The properties and structures of your Company have been efficiently maintained and are in excellent physical condition.

Again grateful acknowledgment is made by your Board of the diligence and loyalty of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,
WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

HUDSON & MANHATTAN RAILROAD COMPANY:

We have made an examination of the balance sheet of the Hudson & Manhattan Railroad Company at December 31, 1939, and of the statements of income and profit and loss for the year 1939. In connection therewith, we examined or tested accounting records of the company (which consistently have been kept in accordance with the Classification of Accounts prescribed by the Interstate Commerce Commission) and other supporting evidence. We also made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and profit and loss fairly present the company's position at December 31, 1939, and the results of its operations for the year.

HASKINS & SELLS

NEW YORK, FEBRUARY 19, 1940.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1939
COMPARED WITH PREVIOUS YEAR

	1939	1938	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$5,427,376.42	\$5,168,852.92	\$258,523.50	
Advertising.....	98,000.00	83,500.00	14,500.00	
Other car and station privileges.....	156,889.96	152,348.97	4,540.99	
Rent of buildings and other property.....	102,000.00	102,000.00		
Miscellaneous transportation revenue.....	23,500.00	24,165.13		\$ 665.13
Other miscellaneous revenue.....	8,557.17	9,429.47		872.30
TOTAL RAILROAD OPERATING REVENUES.....	\$5,816,323.55	\$5,540,296.49	\$276,027.06	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 458,712.84	\$ 446,404.27	\$ 12,308.57	
Maintenance of equipment.....	403,788.96	425,626.40		\$ 21,837.44
Power.....	518,263.69	510,621.37	7,642.32	
Transportation expenses.....	1,364,440.24	1,350,165.10	14,275.14	
General expenses.....	390,408.75	370,035.47	20,373.28	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,135,614.48	\$3,102,852.61	\$ 32,761.87	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,680,709.07	\$2,437,443.88	\$243,265.19	
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	901,679.86	964,127.37		\$ 62,447.51
RAILROAD OPERATING INCOME.....	\$1,779,029.21	\$1,473,316.51	\$305,712.70	
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	452,086.91	526,337.21		\$ 74,250.30
OPERATING INCOME.....	\$2,231,116.12	\$1,999,653.72	\$231,462.40	
NON-OPERATING INCOME.....	130,155.16	140,813.77		\$ 10,658.61
GROSS INCOME.....	\$2,361,271.28	\$2,140,467.49	\$220,803.79	
Income Deductions other than Bond Interest:				
Rent for tracks, yards and terminals.....	\$ 57,171.71	\$ 57,915.11		\$ 743.40
Miscellaneous deductions.....	32,221.16	32,977.35		756.19
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 89,392.87	\$ 90,892.46		\$ 1,499.59
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,271,878.41	\$2,049,575.03	\$222,303.38	
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	1,778,222.07	1,796,482.52		\$ 18,260.45
BALANCE.....	\$ 493,656.34	\$ 253,092.51	\$240,563.83	
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,487,050.00	1,539,225.00		\$ 52,175.00
DEFICIT FOR THE YEAR.....	\$ 993,393.66	\$1,286,132.49		\$292,738.83

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1939

Debit Balance, December 31, 1938.....	\$2,881,547.52
Additions:	
Deficit for the year ended December 31, 1939, per income account.....	993,393.66
Miscellaneous appropriations of Surplus.....	3,500.00
Additional Federal taxes for the years 1928 to 1932, inclusive—Net.....	18,431.18
Miscellaneous Debits—Net.....	9,109.51
Total.....	<u>\$3,905,981.87</u>
Deductions:	
Cancellation of deferred interest on Adjustment Income 5% Bonds reacquired during the year.....	98,535.00
Debit Balance, December 31, 1939.....	<u><u>\$3,807,446.87</u></u>

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....	\$111,234,814.76
Deposits in lieu of mortgaged property sold.....	224,128.71
Miscellaneous physical property.....	13,563,562.42

Investments in affiliated companies:

Stocks.....	\$ 2,000.00
Advances.....	41,807.25

43,807.25

Other investments:

Stocks.....	\$ 5,671.08
Bonds.....	284,673.50
Notes.....	99,890.63

390,235.21

Total investments.....	\$125,456,548.35
------------------------	------------------

Current Assets:

Cash.....	\$ 759,266.75
Special deposits.....	91,929.67
Notes receivable.....	12,445.54
Miscellaneous accounts receivable.....	208,783.41
Material and supplies.....	396,277.36
Interest receivable.....	26,472.67
Other current assets.....	29,971.58

Total current assets.....	1,525,146.98
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Deferred Assets:

Insurance and other funds (including \$4,586,000.00 par value of company's bonds)—At cost.....	\$ 6,905,711.10
Other deferred assets.....	23,666.90

Total deferred assets.....	6,929,378.00
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Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 28,269.61
Other unadjusted debits.....	55,246.96

Total unadjusted debits.....	83,516.57
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TOTAL.....	\$133,994,589.90
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EXHIBIT No. 3

DECEMBER 31, 1939

LIABILITIES

Capital Stock:	
Common Stock.....	\$ 39,995,385.00
Preferred Stock.....	5,242,938.75
Stock liability for conversion.....	11,626.25
Total Capital Stock.....	\$ 45,249,950.00
Funded Debt:	
First Mortgage 4½% bonds.....	\$67,148,000.00
Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage.....	66,204,000.00
	\$ 944,000.00
First lien and refunding mortgage 5% bonds.....	35,819,733.66
Adjustment income mortgage 5% bonds.....	33,102,000.00
Total funded debt.....	69,865,733.66
Current Liabilities:	
Audited accounts and wages payable.....	\$ 264,425.20
Miscellaneous accounts payable.....	10,586.82
Matured interest and dividends payable.....	101,358.06
Interest on adjustment income bonds outstanding in hands of the public, ¾% declared February 8, 1940, payable April 1, 1940	223,057.50
Accrued interest and rents payable.....	760,851.73
Other current liabilities.....	2,628.47
Total current liabilities.....	1,362,907.78
Deferred Liabilities:	
Interest on adjustment income bonds outstanding in hands of the public, 12¾% deferred.....	\$ 3,791,977.50
Other deferred liabilities.....	4,765.60
Total deferred liabilities.....	3,796,743.10
Unadjusted Credits:	
Tax liability.....	\$ 160,603.67
Operating reserves.....	26,082.56
Accrued depreciation—Road and equipment.....	5,518,269.64
Accrued depreciation—Miscellaneous physical property.....	6,365,259.27
Other unadjusted credits.....	21,376.52
Total unadjusted credits.....	12,091,591.66
Corporate Surplus:	
Funded debt retired through surplus.....	\$ 4,924,382.73
Miscellaneous fund reserves.....	510,727.84
Profit and loss—Balance (Deficit).....	3,807,446.87
Total corporate surplus.....	1,627,663.70
TOTAL.....	<u>\$133,994,589.90</u>

NOTE: Contingent upon the final decision in cases now pending before the Comptroller of the City of New York, there is a possible tax liability estimated to amount to approximately \$50,000.00 for taxes, largely upon the revenues of the Hudson Terminal Buildings, under local laws imposing excise taxes upon the gross earnings of public utilities doing business in the City of New York.

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1939

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	\$1,000	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2)\$35,819,733.66	Central Hanover Bank & Trust Co. of N. Y. Guaranty Trust Co. of N. Y. Guaranty Trust Co. of N. Y.
Adjustment Income Mortgage.....	500	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 33,102,000.00	
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	
						\$99,518,000.00	\$69,865,733.66	

- (1) The balance of the issue of First Mortgage 4½% bonds (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.
- (2) \$1,701,500.00 par value of First Lien and Refunding Mortgage bonds were cancelled and retired as of August 31, 1936. \$13,400.00 par value of these bonds were retired June 14, 1916. Of the remaining \$35,819,733.66 of bonds \$312,000.00 were reacquired by the Company during the current year making a total of \$1,225,000.00 of bonds reacquired as of December 31, 1939, all of which are being held in the Property Amortization Fund.
- (3) \$1,024,000.00 par value of Adjustment Income Mortgage bonds were reacquired by the Company during the current year making a total of \$3,361,000.00 of bonds reacquired as of December 31, 1939, all of which are being held in the Property Amortization Fund.

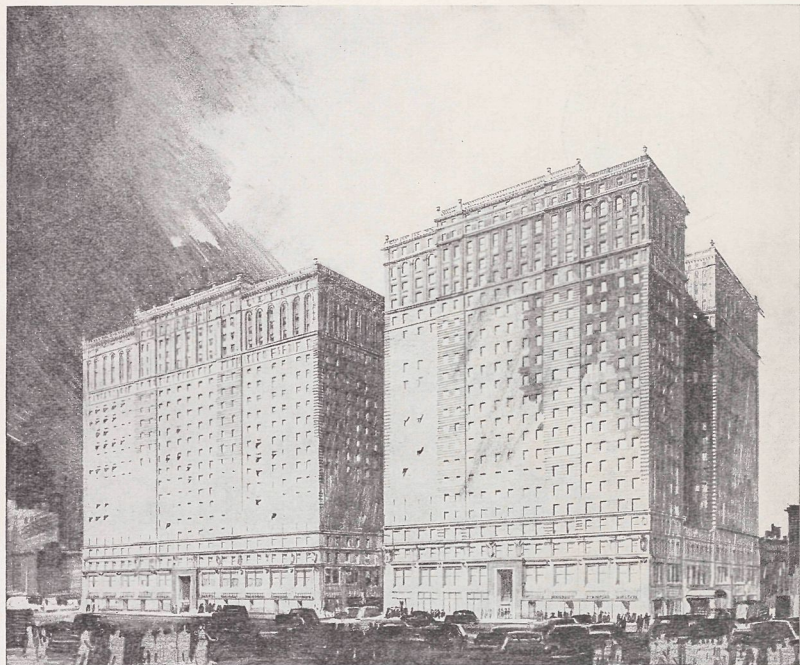
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THIRTY-SECOND
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1940



THIRTY-SECOND
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1940



HUDSON TERMINAL BUILDINGS

CHURCH STREET FRONT MODERNIZED

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTY-SECOND ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1940

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE	- - -	New York City	CARL S. KLUMPP	- - -	New York City
ALBERT H. WIGGIN	- - -	New York City	PERCY H. JOHNSTON	- - -	Montclair, N. J.
WM. HENRY BARNUM	- - -	New York City	IRVING M. ENGEL	- - -	New York City
H. HOBART PORTER	- - -	New York City	LEWIS L. STRAUSS	- - -	New York City
			KELLEY GRAHAM	- - -	Jersey City, N. J.

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board

CARL S. KLUMPP, President and General Manager

H. HOBART PORTER	- - -	Vice-President	WESLEY S. TWIDDY	-	Treas. and Asst. Secty.
P. COMPTON MILLER,			ROBERT B. KAY	-	Secty. and Asst. Treasurer
		Vice-Pres. in Charge of Real Estate	HARRY W. WEBBER	- -	Purchasing Agent
PAUL SHEPARD	- - - - -	Comptroller	FRANK U. MASTERSON	-	Asst. Comptroller
		JOHN E. BUCK	- - - - -		General Counsel

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 6, 1941.

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

Your attention is invited to the appended report of your Company's fiscal operations for the year ended December 31, 1940, as audited by Messrs. Haskins & Sells, Certified Public Accountants.

Due in large measure to increased competition from additional trans-Hudson bus services authorized by the Interstate Commerce Commission, also to the persistent contraction of business activities in lower Manhattan, 310,915 fewer passengers were carried by your Company's railroad in 1940 than in 1939, but because of the increased patronage upon the uptown line, at the maximum fare of ten cents, much of which increase was attributable to the World's Fair, gross passenger fares were only \$1,340.26 less than in 1939.

Total railroad operating revenues, which, in addition to passenger fares, include advertising, car and station privileges, and miscellaneous items, aggregated \$21,096.67 more than in 1939. Moreover, by the exercise of rigid economies, railroad operating expenses were held to an increase of only \$5,309.23. But the resulting increase of \$15,787.44 in net revenue from railroad operations was more than wiped out by the increase in taxes applicable to railroad operations.

Net income from other than railroad operations, which is chiefly net revenue from Hudson Terminal Buildings, amounted to \$24,034.42 less than in 1939, due largely to non-recurring expense items for steam cleaning and pointing up the exterior walls of Hudson Terminal Buildings.

After paying fifteen different kinds of direct Municipal, State and Federal taxes, aggregating \$1,236,927.37, a sum equal to \$2.73 on each share of capital stock outstanding, your Company's deficit resulting from all operations was \$961,235.26, or \$32,158.40 less than the deficit in 1939.

Full interest on the First Mortgage and First Lien and Refunding Bonds in the hands of the public was earned and paid. No dividends were paid upon either the Preferred or Common Stocks of the Company.

Upon the Adjustment Income Bonds, which bear cumulative interest at 5 per cent per annum, payments have been made and authorized as follows: For the first six months of 1940, $\frac{3}{4}$ of 1 per cent, or \$7.50 per thousand dollar bond, was paid October 1, 1940, and for the last six months of the year, the same amount will be paid on April 1, 1941. The total payment of $1\frac{1}{2}$ per cent, or \$15.00 per thousand dollar

bond, compares with $1\frac{3}{4}$ per cent, or \$17.50 per thousand dollar bond, earned and paid for 1939. The accumulated arrearage of interest on the Adjustment Income Bonds, after the payment to be made April 1 next, will amount to $16\frac{1}{4}$ per cent.

Mention was made a year ago of the modernization of the Church Street elevations and main lobbies of Hudson Terminal Buildings undertaken immediately after the removal of the elevated railway structures in Church Street. Following the completion of the structural changes in the buildings, the exterior walls were steam cleaned and the masonry, where needed, pointed up, adding immeasurably to the attractiveness of the buildings. Gross rentals, due chiefly to the National Defense program, will show a gratifying increase in 1941 as compared with 1940.

On June 17, 1940, the United States District Court for New Jersey decided adversely your Company's appeal from the decision of the Interstate Commerce Commission denying our application for a ten-cent fare on the downtown line, and steps were at once taken to appeal from the decision of the District Court to the Supreme Court of the United States, where your Company's appeal is now pending and is set for hearing in April of this year. Confronted with progressively rising costs of operation in the immediate future, we shall continue every possible effort to obtain the additional revenues which are so obviously needed.

Your Company's policy of efficiently maintaining its properties, structures and rolling stock has been scrupulously followed.

Grateful acknowledgment is made again by your Board of the diligence and loyalty of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,
WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

HUDSON & MANHATTAN RAILROAD COMPANY:

We have examined the balance sheet of the Hudson & Manhattan Railroad Company as of December 31, 1940 and the statements of income and profit and loss for the year ended that date, have reviewed the system of internal control and the accounting procedures of the Company and have examined or tested its accounting records (which consistently have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission) and other supporting evidence by methods and to the extent we deemed appropriate.

In our opinion, the accompanying balance sheet and the statements of income and profit and loss fairly present, in accordance with the requirements of the Interstate Commerce Commission, the financial condition of the Company at December 31, 1940 and the results of its operations for the year ended that date.

HASKINS & SELLS

NEW YORK, FEBRUARY 21, 1941.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1940
COMPARED WITH PREVIOUS YEAR

	1940	1939	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$5,426,036.16	\$5,427,376.42		\$ 1,340.26
Advertising.....	100,500.00	98,000.00	\$ 2,500.00	
Other car and station privileges.....	171,181.23	156,889.96	14,291.27	
Rent of buildings and other property.....	102,000.00	102,000.00		
Miscellaneous transportation revenue.....	25,000.00	23,500.00	1,500.00	
Other miscellaneous revenue.....	12,702.83	8,557.17	4,145.66	
TOTAL RAILROAD OPERATING REVENUES.....	\$5,837,420.22	\$5,816,323.55	\$ 21,096.67	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 467,701.05	\$ 458,712.84	\$ 8,988.21	
Maintenance of equipment.....	407,454.77	403,788.96	3,665.81	
Power.....	533,731.50	518,263.69	15,467.81	
Transportation expenses.....	1,378,213.05	1,364,440.24	13,772.81	
General expenses.....	353,823.34	390,408.75		\$ 36,585.41
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,140,923.71	\$3,135,614.48	\$ 5,309.23	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,696,496.51	\$2,680,709.07	\$ 15,787.44	
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	917,475.33	901,679.86	15,795.47	
RAILROAD OPERATING INCOME.....	\$1,779,021.18	\$1,779,029.21		\$ 8.03
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	428,052.49	452,086.91		24,034.42
OPERATING INCOME.....	\$2,207,073.67	\$2,231,116.12		\$ 24,042.45
NON-OPERATING INCOME.....	122,020.48	130,155.16		8,134.68
GROSS INCOME.....	\$2,329,094.15	\$2,361,271.28		\$ 32,177.13
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:				
Rent for tracks, yards and terminals.....	\$ 57,680.12	\$ 57,171.71	\$ 508.41	
Miscellaneous deductions.....	38,841.37	32,221.16	6,620.21	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 96,521.49	\$ 89,392.87	\$ 7,128.62	
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,232,572.66	\$2,271,878.41		\$ 39,305.75
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	1,760,570.42	1,778,222.07		17,651.65
BALANCE.....	\$ 472,002.24	\$ 493,656.34		\$ 21,654.10
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,433,237.50	1,487,050.00		53,812.50
DEFICIT FOR THE YEAR.....	\$ 961,235.26	\$ 993,393.66		\$ 32,158.40

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1940

Debit Balance, December 31, 1939.....	\$3,807,446.87
Additions:	
Deficit for the year ended December 31, 1940, per income account.....	961,235.26
Total.....	<u>\$4,768,682.13</u>
Deductions:	
Cancellation of deferred interest on Adjustment Income 5% Bonds reacquired during the year.....	\$147,412.50
Miscellaneous Credits—Net.....	<u>95.40</u>
	147,507.90
Debit Balance, December 31, 1940.....	<u><u>\$4,621,174.23</u></u>

GENERAL BALANCE SHEET

ASSETS

Investments:		
Road and equipment.....		\$111,241,106.86
Deposits in lieu of mortgaged property sold.....		128,614.73
Miscellaneous physical property.....		13,612,358.35
Investments in affiliated companies:		
Stocks.....	\$ 2,000.00	
Advances.....	41,807.25	
		43,807.25
Other investments:		
Stocks.....	\$ 535.00	
Bonds.....	284,673.50	
Notes.....	99,890.63	
		385,099.13
Total investments.....		\$125,410,986.32
Current Assets:		
Cash.....	\$ 861,214.97	
Special deposits.....	99,397.17	
Notes receivable.....	9,110.00	
Miscellaneous accounts receivable.....	180,687.82	
Material and supplies.....	370,994.07	
Interest receivable.....	22,698.04	
Other current assets.....	33,276.07	
Total current assets.....		1,577,378.14
Deferred Assets:		
Insurance and other funds (including \$6,171,000.00 par value of company's bonds)—At cost.....	\$ 7,378,583.34	
Other deferred assets.....	11,156.00	
Total deferred assets.....		7,389,739.34
Unadjusted Debits:		
Rents and insurance premiums paid in advance.....	\$ 33,455.32	
Other unadjusted debits.....	53,278.60	
Total unadjusted debits.....		86,733.92
TOTAL.....		<u><u>\$134,464,837.72</u></u>

EXHIBIT No. 3

DECEMBER 31, 1940

LIABILITIES

Capital Stock:

Common Stock.....	\$ 39,995,385.00
Preferred Stock.....	5,242,938.75
Stock liability for conversion.....	11,626.25

Total Capital Stock..... \$ 45,249,950.00

Funded Debt:

First Mortgage 4½% bonds.....	\$67,148,000.00	
Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage.....	66,204,000.00	\$ 944,000.00
First lien and refunding mortgage 5% bonds.....		35,819,733.66
Adjustment income mortgage 5% bonds.....		33,102,000.00

Total funded debt..... 69,865,733.66

Current Liabilities:

Audited accounts and wages payable.....	\$ 232,108.77
Miscellaneous accounts payable.....	10,694.66
Matured interest and dividends payable.....	108,825.56
Interest on adjustment income bonds outstanding in hands of the public, ¾% declared January 23, 1941, payable April 1, 1941	214,732.50
Accrued interest and rents payable.....	738,237.65
Other current liabilities.....	2,628.47

Total current liabilities..... 1,307,227.61

Deferred Liabilities:

Interest on adjustment income bonds outstanding in hands of the public, 16¼% deferred.....	\$ 4,652,537.50
Other deferred liabilities.....	4,970.70

Total deferred liabilities..... 4,657,508.20

Unadjusted Credits:

Tax liability.....	\$ 200,880.10
Operating reserves.....	14,341.13
Accrued depreciation—Road and equipment.....	5,750,694.14
Accrued depreciation—Miscellaneous physical property.....	6,605,770.91
Other unadjusted credits.....	18,227.06

Total unadjusted credits..... 12,589,913.34

Corporate Surplus:

Funded debt retired through surplus.....	\$ 4,924,382.73
Miscellaneous fund reserves.....	491,296.41
Profit and loss—Balance (Deficit).....	4,621,174.23

Total corporate surplus..... 794,504.91

TOTAL..... \$134,464,837.72

NOTE: Contingent upon the final decision in cases now pending before the Comptroller of the City of New York, there is a possible tax liability estimated to amount to approximately \$60,000.00 for taxes, largely upon the revenues of the Hudson Terminal Buildings, under local laws imposing excise taxes upon the gross earnings of public utilities doing business in the City of New York.

EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31, 1940

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	{ \$1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2)\$35,819,733.66	Central Hanover Bank & Trust Co. of N. Y. Guaranty Trust Co. of N. Y. Guaranty Trust Co. of N. Y.
Adjustment Income Mortgage.....	{ 100 1,000 }	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 33,102,000.00	
First Mortgage.....	{ 500 1,000 }	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	
						\$99,518,000.00	\$69,865,733.66	

- (1) The balance of the issue of First Mortgage 4½% bonds outstanding (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.
- (2) \$1,701,500.00 par value of First Lien and Refunding Mortgage bonds were cancelled and retired as of August 31, 1936. \$13,400.00 par value of these bonds were retired June 14, 1916. Of the remaining \$35,819,733.66 of bonds \$475,000.00 were reacquired by the Company during the current year making a total of \$1,700,000.00 of bonds reacquired as of December 31, 1940, all of which are being held in the Property Amortization Fund.
- (3) \$1,110,000.00 par value of Adjustment Income Mortgage bonds were reacquired by the Company during the current year making a total of \$4,471,000.00 of bonds reacquired as of December 31, 1940, all of which are being held in the Property Amortization Fund.



33rd
THIRTY-THIRD
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1941



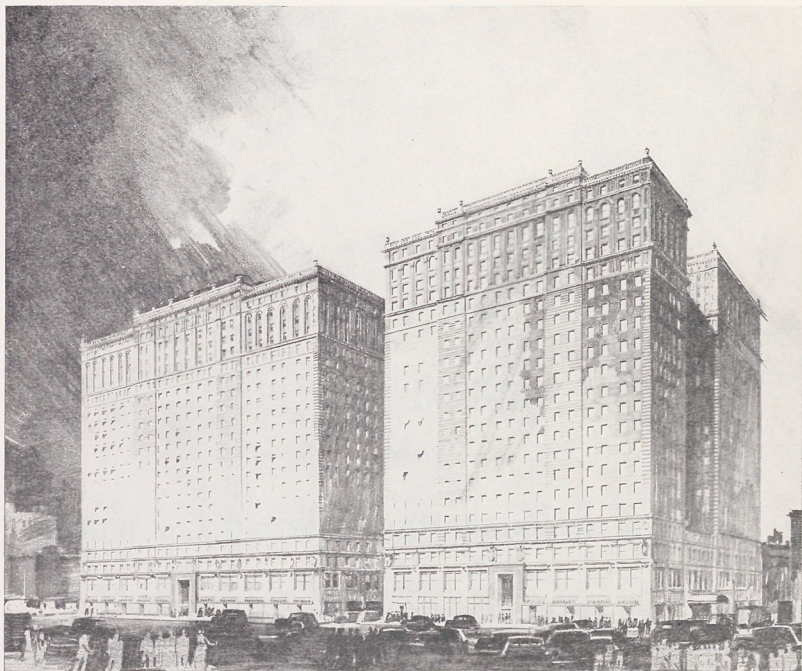
THIRTY-THIRD

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1941



HUDSON TERMINAL BUILDINGS

CHURCH STREET FRONT MODERNIZED

CORTLANDT, CHURCH, DEY AND FULTON STREETS

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTY-THIRD ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1941

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City

LEWIS L. CLARKE	- - -	New York City	CARL S. KLUMPP	- - -	New York City
ALBERT H. WIGGIN	- - -	New York City	PERCY H. JOHNSTON	- - -	Montclair, N. J.
WM. HENRY BARNUM	- - -	New York City	IRVING M. ENGEL	- - -	New York City
H. HOBART PORTER	- - -	New York City	LEWIS L. STRAUSS	- - -	New York City
KELLEY GRAHAM			- - -	Jersey City, N. J.	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board

CARL S. KLUMPP, President and General Manager

H. HOBART PORTER	- - -	Vice-President	WESLEY S. TWIDDY	-	Treas. and Asst. Secty.
P. COMPTON MILLER,			ROBERT B. KAY	-	Secty. and Asst. Treasurer
		Vice-Pres. in Charge of Real Estate	HARRY W. WEBBER	- -	Purchasing Agent
PAUL SHEPARD	- - - - -	Comptroller	FRANK U. MASTERSON	-	Asst. Comptroller
		JOHN E. BUCK	- - - - -	General Counsel	

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 4, 1942

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report of your Company's operations for the year ended December 31, 1941, together with fiscal statements as audited by Messrs. Haskins & Sells, Certified Public Accountants, is respectfully submitted.

For the first time since 1936, passenger traffic increased by comparison with the preceding year. 560,266 more passengers were carried by your railroad in 1941 than in 1940, producing an increased passenger revenue of \$35,821.92, a gratifying increase, in view of the fact that in 1940 Hudson & Manhattan enjoyed substantial nonrecurring revenue incident to the World's Fair. Thus far in 1942 the improved trend in passenger traffic is continuing.

Total railroad operating revenue for 1941 increased \$34,732.17, and income from Hudson Terminal Buildings and other non-railroad sources increased \$67,397.27, an aggregate of \$102,129.44. But railroad operating expenses, due chiefly to wage increases, increased \$110,757.24, and taxes, due chiefly to the imposition of a new franchise tax by the State of New Jersey, increased \$240,091.72, wiping out the entire increased revenues as well as the results of economies effected, and producing a deficit for the year of \$1,136,138.95, or \$174,903.69 greater than the deficit for 1940.

The aggregate of the sixteen kinds of direct Municipal, State, and Federal taxes assessed against your railroad and other properties for the year 1941 was \$1,483,224.06, an increase over the amount so assessed for 1940 of \$246,296.69. It will be noted that the taxes accrued for 1941 amount to \$347,085.11 more than the deficit for the year, and are equal to \$3.28 on each share of capital stock outstanding. In this connection, it should be stated that Hudson & Manhattan Railroad Company is contesting the validity of the franchise tax assessed by the State of New Jersey, the date of payment of which has been repeatedly postponed to permit the enactment of legislation removing what Hudson & Manhattan and other carriers contend is unjustifiable discrimination against short line railroads. The date presently fixed for the payment of the franchise tax is March 10, 1942. In the meantime, efforts to draft remedial legislation are in progress.

Full interest on the First Mortgage and First Lien and Refunding Bonds in the hands of the public was earned and paid. No dividends were paid upon either the Preferred or Common Stocks of the Company.

Upon the Adjustment Income Bonds, which bear cumulative interest at 5% per annum, for the first six months of 1941 1%, or \$10.00 per thousand dollar bond, was paid October 1, 1941. Because the franchise tax imposed by the State of New Jersey, hereinbefore mentioned, was not assessed until November of last year, although appli-

cable to the entire year's operations, it was necessary to accrue the total increase incident to that tax in the months of November and December. Since these charges against income left available for interest on the Adjustment Income Bonds less than $\frac{1}{4}$ of 1% on the aggregate of such bonds in the hands of the public, pursuant to the provisions of the indenture securing such bonds, no interest was declared for the second six months of 1941.

The payment of 1%, or \$10.00 per thousand dollar bond, compares with $1\frac{1}{2}\%$, or \$15.00 per thousand dollar bond, earned and paid for 1940. The accumulated arrearage of interest on the Adjustment Income Bonds presently amounts to $20\frac{1}{4}\%$, or \$5,761,732.50.

On April 28, 1941, the United States Supreme Court affirmed the decision of the United States District Court for New Jersey, denying your Company's appeal from the order of the Interstate Commerce Commission fixing a maximum limitation of eight cents for fares upon the Downtown Line. Because wages, taxes, and indeed railroad operating costs of every kind have increased substantially since July 11, 1938, the date of the Interstate Commerce Commission's order, it is our purpose to continue vigorously every possible effort to obtain the additional revenues which are so obviously needed.

Your Company's tunnels and other structures and properties are scrupulously inspected and are efficiently maintained.

Again grateful acknowledgment is made by your Board of the loyalty and diligence of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,

WALTER F. BROWN,
Chairman of the Board.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

TO THE BOARD OF DIRECTORS,
HUDSON & MANHATTAN RAILROAD COMPANY:

We have examined the balance sheet of the Hudson & Manhattan Railroad Company as of December 31, 1941 and the related statements of income and of profit and loss for the year ended that date, have reviewed the accounting procedures of the Company and have examined its accounting records (which consistently have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission for Electric Railways) and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and related statements of income and of profit and loss fairly present the financial condition of the Company at December 31, 1941 and the results of its operations for the year ended that date, in accordance with the requirements of the Interstate Commerce Commission applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

NEW YORK, FEBRUARY 16, 1942.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1941
COMPARED WITH PREVIOUS YEAR

	1941	1940	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$5,461,858.08	\$5,426,036.16	\$ 35,821.92	
Advertising.....	99,000.00	100,500.00		\$ 1,500.00
Other car and station privileges.....	167,820.45	171,181.23		3,360.78
Rent of buildings and other property.....	102,000.00	102,000.00		
Miscellaneous transportation revenue.....	21,996.06	25,000.00		3,003.94
Other miscellaneous revenue.....	19,477.80	12,702.83	6,774.97	
TOTAL RAILROAD OPERATING REVENUES.....	\$5,872,152.39	\$5,837,420.22	\$ 34,732.17	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 464,295.63	\$ 467,701.05		\$ 3,405.42
Maintenance of equipment.....	413,806.98	407,454.77	\$ 6,352.21	
Power.....	533,965.52	533,731.50	234.02	
Transportation expenses.....	1,463,693.86	1,378,213.05	85,480.81	
General expenses.....	375,918.96	353,823.34	22,095.62	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,251,680.95	\$3,140,923.71	\$110,757.24	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,620,471.44	\$2,696,496.51		\$ 76,025.07
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	1,157,567.05	917,475.33	\$240,091.72	
RAILROAD OPERATING INCOME.....	\$1,462,904.39	\$1,779,021.18		\$316,116.79
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	492,145.29	428,052.49	\$ 64,092.80	
OPERATING INCOME.....	\$1,955,049.68	\$2,207,073.67		\$252,023.99
NON-OPERATING INCOME.....	125,324.95	122,020.48	\$ 3,304.47	
GROSS INCOME.....	\$2,080,374.63	\$2,329,094.15		\$248,719.52
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:				
Rent for tracks, yards and terminals.....	\$ 55,497.01	\$ 57,680.12		\$ 2,183.11
Miscellaneous deductions.....	32,544.10	38,841.37		6,297.27
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 88,041.11	\$ 96,521.49		\$ 8,480.38
NET INCOME APPLICABLE TO BOND INTEREST.....	\$1,992,333.52	\$2,232,572.66		\$240,239.14
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	1,705,822.47	1,760,570.42		54,747.95
BALANCE.....	\$ 286,511.05	\$ 472,002.24		\$185,491.19
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,422,650.00	1,433,237.50		10,587.50
DEFICIT FOR THE YEAR.....	\$1,136,138.95	\$ 961,235.26	\$174,903.69	

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1941

Debit Balance, January 1, 1941	\$4,621,174.23
Additions:	
Deficit for the year ended December 31, 1941, per income account.....	1,136,138.95
Total.....	<u>\$5,757,313.18</u>
Deductions:	
Adjustment to bring to par first lien and refunding mortgage 5% bonds and adjustment income mortgage 5% bonds reacquired to and including December 31, 1941.....	\$4,627,109.29
Cancellation of deferred interest on adjustment income mort- gage 5% bonds reacquired during year 1941	30,260.00
Miscellaneous Credits—Net.....	<u>114.79</u>
	<u>4,657,484.08</u>
Debit Balance, December 31, 1941.....	<u><u>\$1,099,829.10</u></u>

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....	\$111,240,852.08
Deposits in lieu of mortgaged property sold.....	128,614.73
Miscellaneous physical property.....	13,669,614.69

Investments in affiliated companies:

Stocks.....	\$ 2,000.00
Advances.....	41,807.25
	43,807.25

Other investments:

Stocks.....	\$ 485.00
Bonds (Less \$1,029.04 par value of Company's bonds reacquired, per contra).....	383,860.00
	384,345.00

Total investments..... \$125,467,233.75

Current Assets:

Cash.....	\$ 902,935.96
Special deposits.....	107,135.92
Notes receivable.....	7,535.00
Miscellaneous accounts receivable.....	201,074.81
Material and supplies.....	421,513.66
Interest receivable.....	21,723.32
Other current assets.....	33,126.41
	1,695,045.08

Total current assets..... 1,695,045.08

Deferred Assets:

Insurance and other funds (Less \$7,549,000.00 par value of Com- pany's bonds reacquired, per contra).....	\$ 4,915,926.85
Other deferred assets.....	9,024.28
	4,924,951.13

Total deferred assets..... 4,924,951.13

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 35,406.49
Other unadjusted debits.....	52,421.52
	87,828.01

Total unadjusted debits..... 87,828.01

TOTAL..... \$132,175,057.97

DECEMBER 31, 1941

LIABILITIES

Capital Stock:

Common Stock.....	\$ 39,995,385.00	
Preferred Stock.....	5,242,938.75	
Stock liability for conversion.....	11,626.25	

Total Capital Stock.....		\$ 45,249,950.00
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Funded Debt:

First Mortgage 4½% bonds.....	\$67,148,000.00	
Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage.....	66,204,000.00	\$ 944,000.00

First lien and refunding mortgage 5% bonds.....	\$35,819,733.66	
Less held in OTHER investments (\$1,029.04, per contra) and Property Amortization Fund (\$2,900,000.00, per contra).....	2,901,029.04	32,918,704.62

Adjustment income mortgage 5% bonds.....	\$33,102,000.00	
Less held in Property Amortization Fund, per contra.....	4,649,000.00	28,453,000.00

Total funded debt.....		62,315,704.62
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Current Liabilities:

Audited accounts and wages payable.....	\$ 213,176.10	
Miscellaneous accounts payable.....	13,102.57	
Matured interest and dividends payable.....	116,564.31	
Accrued interest and rents payable.....	707,108.86	
Other current liabilities.....	2,628.47	

Total current liabilities.....		1,052,580.31
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Deferred Liabilities:

Interest on adjustment income mortgage bonds outstanding in hands of the public, 20¼% deferred.....	\$ 5,761,732.50	
Other deferred liabilities.....	4,778.74	

Total deferred liabilities.....		5,766,511.24
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Unadjusted Credits:

Tax liability.....	\$ 633,046.01	
Operating reserves.....	16,722.82	
Accrued depreciation—Road and equipment.....	5,964,312.46	
Accrued depreciation—Miscellaneous physical property.....	6,846,634.91	
Other unadjusted credits.....	18,196.17	

Total unadjusted credits.....		13,478,912.37
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Corporate Surplus:

Funded debt retired through surplus.....	\$ 4,924,382.73	
Miscellaneous fund reserves.....	486,845.80	
Profit and loss—Balance (<i>Deficit</i>).....	1,099,829.10	

Total corporate surplus.....		4,311,399.43
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TOTAL.....		<u>\$132,175,057.97</u>
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EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31, 1941

CLASS OF BONDS	Denom-ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	\$1,000	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2) \$35,819,733.66	Central Hanover Bank & Trust Co. of N. Y.
Adjustment Income Mortgage.....	500	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 33,102,000.00	
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	Guaranty Trust Co. of N. Y.
	500					\$99,518,000.00	\$69,865,733.66	

- (1) The balance of the issue of First Mortgage 4½% bonds outstanding (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.
- (2) \$1,701,500.00 par value of First Lien and Refunding Mortgage bonds were cancelled and retired as of August 31, 1936. \$13,400.00 par value of these bonds were retired June 14, 1916. Of the remaining \$35,819,733.66 of bonds \$1,200,000.00 were reacquired by the Company during the current year making a total of \$2,901,029.04 of bonds reacquired as of December 31, 1941, \$2,900,000.00 of which are being held in the Property Amortization Fund and \$1,029.04 in OTHER investments.
- (3) \$178,000.00 par value of Adjustment Income Mortgage bonds were reacquired by the Company during the current year making a total of \$4,649,000.00 of bonds reacquired as of December 31, 1941, all of which are being held in the Property Amortization Fund.



3444
THIRTY-FOURTH

ANNUAL REPORT

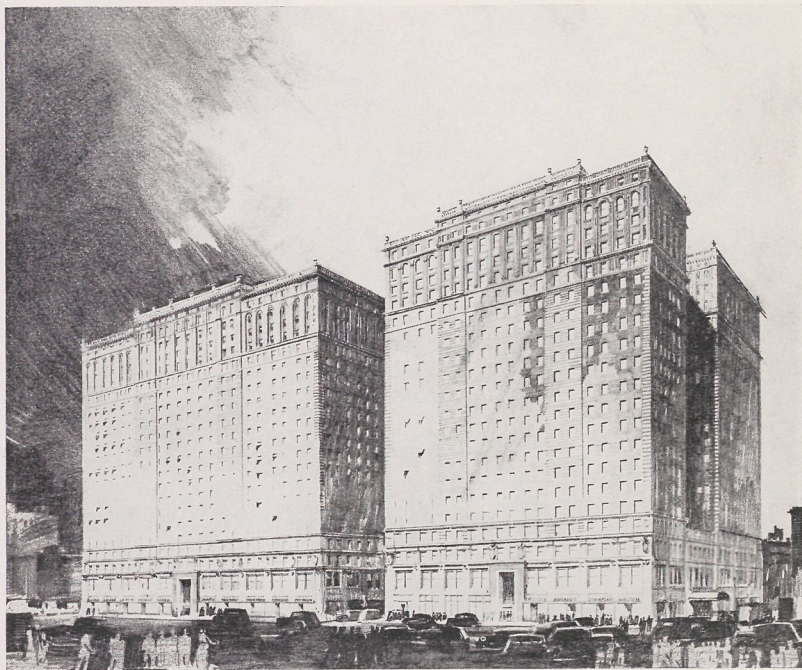
OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1942



THIRTY-FOURTH
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1942



HUDSON TERMINAL BUILDINGS
NEW YORK CITY

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTY-FOURTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1942

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman—New York City

LEWIS L. CLARKE	- - -	New York City	PERCY H. JOHNSTON	- - -	Montclair, N. J.
ALBERT H. WIGGIN	- - -	New York City	IRVING M. ENGEL	- - -	New York City
WM. HENRY BARNUM	- - -	New York City	LEWIS L. STRAUSS	- - -	New York City
H. HOBART PORTER	- - -	New York City	KELLEY GRAHAM	- - -	Jersey City, N. J.
W. PAUL STILLMAN	- - -	Red Bank, N. J.			

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board and President

H. HOBART PORTER	- - -	Vice-President	JOHN J. FRITSCH	- - - - -	Comptroller
JOHN E. BUCK	- - -	Vice-President and General Counsel	FRANK U. MASTERSON	-	Assistant Comptroller
WESLEY S. TWIDDY	-	Treasurer and Assistant Secretary	J. C. VAN GIESON	-	General Superintendent
ROBERT B. KAY	- -	Secretary and Assistant Treasurer	HARRY W. WEBBER	- -	Purchasing Agent
L. Z. MORRIS STRAUSS	- -	Assistant to Chairman of the Board and President			

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST COMPANY OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 13, 1943

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report of your Company's operations for the year ended December 31, 1942, together with fiscal statements as audited by Messrs. Haskins & Sells, Certified Public Accountants, is respectfully submitted:

Due to the enforced curtailment of automobile traffic as well as to industrial expansion in the area served by your railroad, 7,374,798, or 11.2%, more passengers were carried by Hudson & Manhattan in 1942 than in 1941. This increase of approximately 20,000 passengers a day produced an increased passenger revenue of \$589,144.42. Increases in railroad operating expenses, attributable chiefly to wage increases, war risk insurance, and other charges incident to the present national emergency, amounted to \$256,275.82, and increases in taxes applicable to railroad operations aggregated \$93,585.64 after adjustment of tax accruals for 1941 to conform to retroactive provisions of the amended New Jersey franchise tax law enacted in 1942. Net income from Hudson Terminal Buildings increased \$104,940.37, or 25.4%. The deficit for the year resulting from all operations was \$477,000.76. The deficit for 1941, after adjustment of New Jersey tax accruals above mentioned, was \$900,815.47.

The amended New Jersey tax legislation also made possible the distribution, on account of interest accrued upon the Adjustment Income Bonds for the second half of 1941, of the amount by which taxes accrued for that year were reduced by such legislation, viz., \$235,323.48. Accordingly, a payment on account of such interest of $\frac{3}{4}$ of 1%, or \$7.50 per thousand dollar bond, was duly declared and made payable June 11, 1942.

Upon the Adjustment Income Bonds, which bear cumulative interest at 5% per annum, payments have been made and authorized as follows: for the first six months of 1942, $1\frac{3}{4}$ %, or \$17.50 per thousand dollar bond, was paid October 1, 1942; for the last six months of the year disbursement of the same amount has been authorized and will be payable April 1, 1943. The total for the year of $3\frac{1}{2}$ %, or \$35.00 per thousand dollar bond, compares with $1\frac{3}{4}$ %, or \$17.50 per thousand dollar bond, earned and paid for 1941. The accumulated arrearage of interest on the Adjustment Income Bonds outstanding in the hands of the public December 31, 1942, after the payment to be made April 1st next, will amount to 21%, or \$5,819,310.

On the First Mortgage $4\frac{1}{2}$ % and First Lien and Refunding 5% Bonds in the hands of the public, interest was earned and paid in 1942 in full. No dividends were paid on either the Preferred or Common Stocks of the Company.

April 26, 1942, a joint service Pennsylvania-Hudson & Manhattan train en route from Newark to Hudson Terminal, New York, was derailed near Exchange Place Station, causing heavy property damage, many personal injuries, and the first passenger fatalities due to train operation in the history of Hudson & Manhattan. Your railroad's monetary loss was largely covered by insurance and the minor portion not so covered was charged against a reserve for casualties accumulated in previous years.

In 1936, the management of your railroad, confronted with a progressive loss of patronage due to the construction of competing trans-Hudson facilities entailing the rapid growth of automobile and bus traffic, and, at the same time, anticipating a rising spiral of wages, taxes, and other operating costs, adopted a policy of reacquiring the Company's bonds, purchasable at a discount, and thus reducing the burden of its current interest and funded obligations. For this purpose, a portion of the Property Amortization, or depreciation, Fund, the only fund available for such purchase of bonds, has been used.

From July 7, 1936 to December 31, 1942, in pursuance of such policy, your Company's management has reacquired \$4,758,000 par value of First Lien and Refunding Bonds and \$4,361,000 par value of Adjustment Income Bonds. Of the latter issue, \$742,000 par value were canceled and retired December 24, 1942.

The remainder of the bonds so reacquired, \$8,377,000 par value, plus \$1,030,000 par value of Adjustment Income Bonds reacquired prior to August 1, 1934, or an aggregate of \$9,407,000 par value, is presently carried in the Property Amortization, or depreciation, Fund, no interest being accrued in respect thereof.

Application was made June 27, 1942, to the Interstate Commerce Commission to reopen the proceedings whereby in 1937 your Company sought authority to establish a ten-cent fare on its downtown line between Hudson Terminal, New York, and stations in Jersey City and Hoboken, New Jersey, in which proceedings authority to increase the fare on such line from six to eight cents was granted, effective July 25, 1938. In due course, this application was approved and a further hearing was held. January 25, 1943, the attorney-examiner designated by the Interstate Commerce Commission to hear such further proceedings recommended the authorization of the ten-cent fare. It is anticipated that the Interstate Commerce Commission will take action upon this recommendation within a few weeks.

January 28, 1943, Mr. W. Paul Stillman, President of the National State Bank of Newark, New Jersey, was elected a director of your Company to succeed Mr. C. S. Klumpp, whose resignation as director and President was accepted with sincere regret, effective December 31st last. Effective January 1, 1943, Walter F. Brown was elected President, assuming the functions and duties of that office in addition to those of Chairman of the Board.

With profound sorrow, record is made of the death, December 15, 1942, of P. Compton Miller, a vice president of Hudson & Manhattan Railroad Company who has been in charge of the Company's real estate since March 1, 1920; also of the death, February 7, 1943, of Paul Shepard, who was Assistant Comptroller of Hudson & Manhattan Railroad Company from April 12, 1928 to May 31, 1934, and Comptroller from June 1, 1934 to June 30, 1942, when he retired from active duty.

Your Company's tunnels and other structures and properties are scrupulously inspected and are efficiently maintained.

Again grateful acknowledgment is made by your Board of the loyalty and diligence of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,

WALTER F. BROWN,

Chairman of the Board
and President

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

TO THE BOARD OF DIRECTORS,

HUDSON & MANHATTAN RAILROAD COMPANY:

We have examined the balance sheet of the Hudson & Manhattan Railroad Company as of December 31, 1942 and the related statements of income and of profit and loss for the year ended that date, have reviewed the accounting procedures of the Company and have examined its accounting records (which consistently have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission for Electric Railways) and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and related statements of income and of profit and loss fairly present the financial condition of the Company at December 31, 1942 and the results of its operations for the year ended that date, in accordance with the requirements of the Interstate Commerce Commission applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

NEW YORK, FEBRUARY 16, 1943.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1942
COMPARED WITH PREVIOUS YEAR

	1942	1941	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$6,051,002.50	\$5,461,858.08	\$589,144.42	
Advertising.....	102,575.00	99,000.00	3,575.00	
Other car and station privileges.....	180,175.98	167,820.45	12,355.53	
Rent of buildings and other property.....	102,000.00	102,000.00		
Miscellaneous transportation revenue.....	23,782.13	21,996.06	1,786.07	
Other miscellaneous revenue.....	21,240.44	19,477.80	1,762.64	
TOTAL RAILROAD OPERATING REVENUES.....	\$6,480,776.05	\$5,872,152.39	\$608,623.66	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 475,264.12	\$ 464,295.63	\$ 10,968.49	
Maintenance of equipment.....	416,154.63	413,806.98	2,347.65	
Power.....	562,085.53	533,965.52	28,120.01	
Transportation expenses.....	1,567,737.92	1,463,693.86	104,044.06	
General expenses.....	486,714.57	375,918.96	110,795.61	
TOTAL RAILROAD OPERATING EXPENSES.....	\$3,507,956.77	\$3,251,680.95	\$256,275.82	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,972,819.28	\$2,620,471.44	\$352,347.84	
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	1,015,829.21	*1,157,567.05		\$141,737.84
RAILROAD OPERATING INCOME.....	\$1,956,990.07	\$1,462,904.39	\$494,085.68	
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	592,281.93	492,145.29	100,136.64	
OPERATING INCOME.....	\$2,549,272.00	\$1,955,049.68	\$594,222.32	
NON-OPERATING INCOME.....	119,239.01	125,324.95		\$ 6,085.94
GROSS INCOME.....	\$2,668,511.01	\$2,080,374.63	\$588,136.38	
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:				
Rent for tracks, yards and terminals.....	\$ 53,738.56	\$ 55,497.01		\$ 1,758.45
Miscellaneous deductions.....	35,824.48	32,544.10	\$ 3,280.38	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 89,563.04	\$ 88,041.11	\$ 1,521.93	
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,578,947.97	\$1,992,333.52	\$586,614.45	
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	1,658,953.73	1,705,822.47		\$ 46,868.74
BALANCE.....	\$ 919,994.24	\$ 286,511.05	\$633,483.19	
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,396,995.00	1,422,650.00		\$ 25,655.00
DEFICIT FOR THE YEAR.....	\$ 477,000.76	*\$1,136,138.95		\$659,138.19

*Includes \$235,323.48 overaccrual of franchise taxes assessed under New Jersey Tax Law of 1941, retroactively reduced by assessment May 21, 1942 (Chapter 169, P. L. 1942, approved May 8, 1942).

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1942

Debit Balance, December 31, 1941.....		\$1,099,829.10
Less, adjustment of overaccrual of New Jersey franchise taxes for the year ended December 31, 1941.....		235,323.48
Debit Balance, January 1, 1942, as adjusted.....		\$ 864,505.62
Additions:		
Deficit for the year ended December 31, 1942, per income account	\$ 477,000.76	
Loss in connection with retirement of miscellaneous physical property.....	104,505.42	581,506.18
Total.....		\$1,446,011.80
Deductions:		
Adjustment to bring to par First Lien and Refunding Mortgage 5% Bonds and Adjustment Income Mortgage 5% Bonds reacquired during the year ended December 31, 1942.....	\$1,620,516.25	
Cancellation of deferred interest on Adjustment Income Mortgage 5% Bonds reacquired during the year ended December 31, 1942	144,690.00	
Miscellaneous Credits—Net.....	367.50	1,765,573.75
Credit Balance, December 31, 1942.....		\$ 319,561.95

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....	\$111,243,736.92
Deposits in lieu of mortgaged property sold.....	128,614.73
Maintenance funds.....	27,200.00
Miscellaneous physical property.....	13,614,021.56

Investments in affiliated companies:

Stocks.....	\$ 2,000.00	
Advances.....	41,807.25	
		43,807.25

Other investments:

Stocks.....	\$ 485.00	
Bonds (Less \$1,029.04 par value of Company's bonds reacquired, per contra).....	427,860.00	
		428,345.00

Total investments..... \$125,485,725.46

Current Assets:

Cash.....	\$ 978,365.40
Special deposits.....	142,107.17
Notes receivable.....	5,360.00
Miscellaneous accounts receivable.....	215,959.46
Material and supplies.....	414,080.51
Interest receivable.....	18,010.08
Other current assets.....	56,417.54

Total current assets..... 1,830,300.16

Deferred Assets:

Insurance and other funds (Less \$9,407,000.00 par value of Com- pany's bonds reacquired, per contra).....	\$ 4,346,093.95
Other deferred assets.....	8,206.41

Total deferred assets..... 4,354,300.36

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 39,515.45
Other unadjusted debits.....	49,524.83

Total unadjusted debits..... 89,040.28

TOTAL..... \$131,759,366.26

EXHIBIT No. 3

DECEMBER 31, 1942

LIABILITIES

Capital Stock:

Common stock.....	\$ 39,995,385.00	
Preferred stock.....	5,242,938.75	
Stock liability for conversion.....	11,626.25	

Total capital stock.....		\$ 45,249,950.00
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Funded Debt:

First Mortgage 4½% Bonds.....	\$67,148,000.00	
Less pledged as collateral under the First Lien and Refunding Mortgage and the Adjustment Income Mortgage.....	66,204,000.00	\$ 944,000.00
First Lien and Refunding Mortgage 5% Bonds.....	\$35,819,733.66	
Less held in Other Investments (\$1,029.04) and Deferred Assets (\$4,758,000.00) per contra.....	4,759,029.04	31,060,704.62
Adjustment Income Mortgage 5% Bonds.....	\$32,360,000.00	
Less held in Deferred Assets per contra.....	4,649,000.00	27,711,000.00

Total funded debt.....		59,715,704.62
------------------------	--	---------------

Current Liabilities:

Audited accounts and wages payable.....	\$ 244,113.98	
Miscellaneous accounts payable.....	19,135.63	
Matured interest and dividends payable.....	151,535.56	
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, 1¾% declared, February 11, 1943, payable April 1, 1943.....	484,942.50	
Accrued interest and rents payable.....	668,426.52	
Other current liabilities.....	2,628.47	

Total current liabilities.....		1,570,782.66
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Deferred Liabilities:

Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, 21% deferred.....	\$ 5,819,310.00	
Other deferred liabilities.....	9,022.09	

Total deferred liabilities.....		5,828,332.09
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Unadjusted Credits:

Tax liability.....	\$ 308,486.27	
Maintenance reserves.....	27,200.00	
Accrued depreciation—Road and equipment.....	6,175,582.90	
Accrued depreciation—Miscellaneous physical property.....	7,087,498.91	
Other unadjusted credits.....	109,403.55	

Total unadjusted credits.....		13,708,171.63
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Corporate Surplus:

Funded debt retired through surplus.....	\$ 4,924,382.73	
Miscellaneous fund reserves.....	442,480.58	
Profit and loss—Balance.....	319,561.95	

Total corporate surplus.....		5,686,425.26
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TOTAL.....		\$131,759,366.26
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EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31, 1942

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	{ \$1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2) \$35,819,733.66	Central Hanover Bank & Trust Company of New York
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 32,360,000.00	Guaranty Trust Company of New York
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	Guaranty Trust Company of New York
						\$99,518,000.00	\$69,123,733.66	

(1) The balance of the issue of First Mortgage 4½% bonds outstanding (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

(2) \$1,701,500.00 par value of First Lien and Refunding Mortgage bonds were cancelled and retired as of August 31, 1936. \$13,400.00 par value of these bonds were retired June 14, 1916. Of the remaining \$35,819,733.66 of bonds \$1,858,000.00 were reacquired by the Company during the current year making a total of \$4,759,029.04 of bonds reacquired as of December 31, 1942, \$4,758,000.00 of which are being held in the Property Amortization Fund and \$1,029.04 in OTHER investments.

(3) \$742,000.00 par value of Adjustment Income Mortgage bonds reacquired by the Company during the current year were canceled and retired, \$4,649,000.00 of bonds reacquired prior to January 1, 1942, are presently held in the Property Amortization Fund.



35th

THIRTY-FIFTH

ANNUAL REPORT

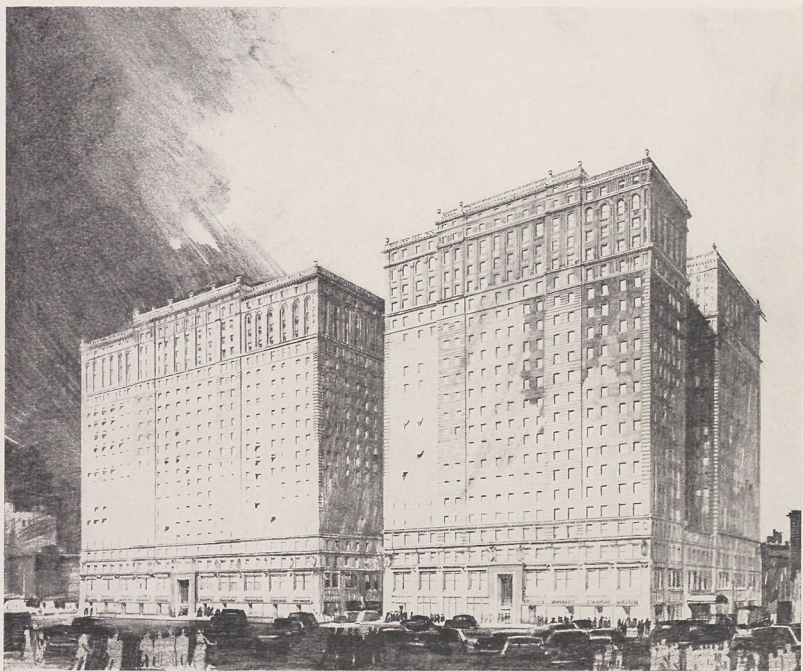
OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1943



THIRTY-FIFTH
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1943



HUDSON TERMINAL BUILDINGS
NEW YORK CITY

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTY-FIFTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1943

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman—New York City

LEWIS L. CLARKE	- - -	New York City	PERCY H. JOHNSTON	- - -	Montclair, N. J.
ALBERT H. WIGGIN	- - -	New York City	IRVING M. ENGEL	- - -	New York City
WM. HENRY BARNUM	- - -	New York City	LEWIS L. STRAUSS	- - -	New York City
H. HOBART PORTER	- - -	New York City	KELLEY GRAHAM	- - -	Jersey City, N. J.
W. PAUL STILLMAN			- - -	Newark, N. J.	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board and President

H. HOBART PORTER	- - -	Vice-President	ROBERT B. KAY	- - -	Secretary and Assistant Treasurer
L. Z. MORRIS STRAUSS	- - -	Vice-President	JOHN J. FRITSCH	- - -	- Comptroller
JOHN E. BUCK	- - -	Vice-President and General Counsel	FRANK U. MASTERSON	- - -	Assistant Comptroller
ROBERT S. CURTISS	- - -	Vice-President in Charge of Real Estate	J. C. VAN GIESON	- - -	General Superintendent
WESLEY S. TWIDDY	- - -	Treasurer and Assistant Secretary	HARRY W. WEBBER	- - -	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST COMPANY OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City

March 11, 1944

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

Transmitted herewith is a condensed statement of your Company's fiscal operations for the year ended December 31, 1943, as audited by Messrs. Haskins & Sells, Certified Public Accountants:

Due to the continued curtailment of automobile traffic as well as to the abnormal industrial activity, incident to the war, in the territory served by your Company, the volume of passenger traffic in 1943 continued progressively to follow the upward trend experienced in 1942, reaching a peak in November last, since which time there has been an appreciable recession in trans-Hudson travel. A total of 9,915,494, or 13.5%, more passengers were carried by Hudson & Manhattan in 1943 than in 1942. Passenger and other railroad operating revenues increased \$841,739.23; however, railroad operating expenses, plus taxes applicable to railroad operation, increased \$666,644.61. Again, gross revenues from Hudson Terminal Buildings increased \$25,237.80, but because operating expenses increased \$55,186.14 and tax accruals \$33,888.94, the net income from Hudson Terminal Buildings, compared with that of 1942, decreased \$63,837.28. The deficit for the year resulting from all operations was \$159,037.23; the deficit for 1942 was \$477,000.76.

Full interest was earned and paid upon the First Mortgage $4\frac{1}{2}\%$ and First Lien and Refunding Mortgage 5% Bonds in the hands of the public. No dividends were paid on your Company's Preferred or Common Stocks.

Upon the Adjustment Income Bonds, which bear cumulative interest at 5% per annum, payments have been made and authorized as follows: for the first six months of 1943, 2%, or \$20.00 per thousand dollar bond, was paid October 1, 1943; for the last six months of the year, a disbursement of $2\frac{1}{4}\%$, or \$22.50 per thousand dollar bond, has been authorized and will be payable April 1, 1944. The total for the year of $4\frac{1}{4}\%$, or \$42.50 per thousand dollar bond, compares with $3\frac{1}{2}\%$, or \$35.00 per thousand dollar bond, paid for 1942. The accumulated arrearages of interest on the Adjustment Income Bonds outstanding in the hands of the public December 31, 1943, after the payment to be made April 1 next, will amount to $21\frac{3}{4}\%$, or \$5,457,945.

In pursuance of your Company's policy of using a substantial portion of the accumulations in the Property Amortization Fund to reacquire its bonds at a discount, which policy has been duly discussed in previous reports to stockholders, during 1943 your Company's Management reacquired, by open market purchases, \$1,143,000 par value of First Lien and Refunding Mortgage and \$2,617,000 par value of Adjustment Income Bonds, a total of \$3,760,000 par value of your Company's bonds, all of which have been canceled and retired, thus effecting an annual reduction of \$188,000 in interest accruals.

Reference was made in the annual report to stockholders, dated March 13, 1943, to your Company's continued efforts to obtain authorization from the Interstate Commerce Commission to establish a fare of ten cents on its downtown line between Hudson Terminal, New York, and stations in Jersey City and Hoboken, New Jersey,

which fare is presently eight cents. June 8, 1943, the Interstate Commerce Commission again denied your Company the authority to charge the ten cents requested but authorized an interstate fare of nine cents on the downtown line.

Because it is impossible to collect and count a nine-cent cash fare with any automatic cash collection devices presently available, Hudson & Manhattan thereupon petitioned the Interstate Commerce Commission to modify its order of June 8 by authorizing, in lieu of the nine-cent cash fare, token fares of eleven for one dollar or a cash fare of ten cents payable only by a dime, and offered, if such modification was ordered, to make such fares effective also for interstate transportation on the Company's uptown line, the fare for which service is presently ten cents. By order dated August 3, 1943, and confirmed November 2, 1943, after further hearing, the Interstate Commerce Commission authorized the establishment of such token and cash fares for the duration of the war and for six months thereafter.

Before the required tokens could be fabricated and token fares made effective, upon the application of the City of Jersey City, the United States District Court for New Jersey (one of the three judges dissenting) enjoined the collection of the token and increased cash fares theretofore authorized by the Commission. From this order of injunction Hudson & Manhattan Railroad Company is now prosecuting an appeal in the United States Supreme Court.

May 27, 1943, Mr. L. Z. Morris Strauss, who had been serving as an Assistant to the Chairman of the Board and President, was elected a Vice President, effective June 1, 1943.

November 24, 1943, Mr. Robert S. Curtiss, for many years associated with Wm. A. White & Sons in its downtown real estate and building management operations, was elected a Vice President in Charge of Real Estate.

Throughout the past year your Company encountered its full share of operational problems and difficulties incident to the prevailing manpower shortage; however, it had the good fortune to suffer no accidents resulting in major injuries either to persons or to property.

While limitations imposed by the exigencies of the present national emergency have compelled the deferment of some non-essential maintenance work in Hudson Terminal Buildings, it may be said without reservation that your Company's tunnels and other railroad structures have been and are being efficiently maintained.

Grateful acknowledgment is made by your Board of the loyalty and diligence of the officers and employees of the Company in the performance of their respective duties in this critical period.

By order of the Board of Directors,

WALTER F. BROWN,

Chairman of the Board
and President

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK 4

ACCOUNTANTS' CERTIFICATE

TO THE BOARD OF DIRECTORS,

HUDSON & MANHATTAN RAILROAD COMPANY:

We have examined the general balance sheet of the Hudson & Manhattan Railroad Company as of December 31, 1943 and the related statements of income and of profit and loss for the year ended that date, have reviewed the accounting procedures of the Company and have examined its accounting records (which consistently have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission for Electric Railways) and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying general balance sheet and related statements of income and of profit and loss fairly present the financial condition of the Company at December 31, 1943 and the results of its operations for the year ended that date, in conformity with principles of accounting prescribed by the Interstate Commerce Commission for Electric Railways applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

NEW YORK, FEBRUARY 25, 1944.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1943
COMPARED WITH PREVIOUS YEAR

	1943	1942	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$6,861,353.57	\$6,051,002.50	\$810,351.07	
Advertising.....	126,900.00	102,575.00	24,325.00	
Other car and station privileges.....	196,133.92	180,175.98	15,957.94	
Rent of buildings and other property.....	102,000.00	102,000.00		
Miscellaneous transportation revenue.....	21,000.00	23,782.13		\$ 2,782.13
Other miscellaneous revenue.....	15,127.79	21,240.44		6,112.65
TOTAL RAILROAD OPERATING REVENUES.....	\$7,322,515.28	\$6,480,776.05	\$841,739.23	
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 545,497.08	\$ 475,264.12	\$ 70,232.96	
Maintenance of equipment.....	434,281.97	416,154.63	18,127.34	
Power.....	624,215.35	562,085.53	62,129.82	
Transportation expenses.....	1,822,792.47	1,567,737.92	255,054.55	
General expenses.....	654,203.60	486,714.57	167,489.03	
TOTAL RAILROAD OPERATING EXPENSES.....	\$4,080,990.47	\$3,507,956.77	\$573,033.70	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$3,241,524.81	\$2,972,819.28	\$268,705.53	
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	1,109,440.12	1,015,829.21	93,610.91	
RAILROAD OPERATING INCOME.....	\$2,132,084.69	\$1,956,990.07	\$175,094.62	
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	527,622.19	592,281.93		\$ 64,659.74
OPERATING INCOME.....	\$2,659,706.88	\$2,549,272.00	\$110,434.88	
NON-OPERATING INCOME.....	112,037.86	119,239.01		\$ 7,201.15
GROSS INCOME.....	\$2,771,744.74	\$2,668,511.01	\$103,233.73	
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:				
Rent for tracks, yards and terminals.....	\$ 50,138.47	\$ 53,738.56		\$ 3,600.09
Miscellaneous deductions.....	41,291.81	35,824.48	\$ 5,467.33	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 91,430.28	\$ 89,563.04	\$ 1,867.24	
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,680,314.46	\$2,578,947.97	\$101,366.49	
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	1,565,911.69	1,658,953.73		\$ 93,042.04
BALANCE.....	\$1,114,402.77	\$ 919,994.24	\$194,408.53	
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,273,440.00	1,396,995.00		\$123,555.00
DEFICIT FOR THE YEAR.....	\$ 159,037.23	\$ 477,000.76		\$317,963.53

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1943

Credit Balance, December 31, 1942.....		\$ 319,561.95
Additions:		
Adjustment to bring to par First Lien and Refunding Mortgage 5% Bonds and Adjustment Income Mortgage 5% Bonds reac- quired during the year ended December 31, 1943.....	\$2,436,671.25	
Cancellation of deferred interest on Adjustment Income Mortgage 5% Bonds reacquired during the year ended December 31, 1943	565,372.50	
Miscellaneous Credits.....	6,261.99	
		<u>3,008,305.74</u>
Total.....		\$3,327,867.69
Deductions:		
Deficit for the year ended December 31, 1943, per income account	\$ 159,037.23	
Loss in connection with retirement of equipment.....	12,526.63	
		<u>171,563.86</u>
Credit Balance, December 31, 1943.....		<u>\$3,156,303.83</u>

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....	\$111,183,208.57
Deposits in lieu of mortgaged property sold.....	128,614.73
Maintenance funds.....	103,448.91
Miscellaneous physical property.....	13,625,335.51

Investments in affiliated companies:

Stocks.....	\$ 2,000.00
Advances.....	41,807.25
	<u>43,807.25</u>

Other investments:

Stocks.....	\$ 485.00
Bonds (Less \$1,029.04 par value of Company's bonds reacquired, per contra).....	678,860.00
	<u>679,345.00</u>

Total investments..... \$125,763,759.97

Current Assets:

Cash.....	\$ 1,020,780.47
Special deposits.....	164,542.17
Notes receivable.....	1,110.00
Miscellaneous accounts receivable.....	246,731.00
Material and supplies.....	411,051.75
Interest receivable.....	18,034.21
Other current assets.....	33,581.39
	<u>1,895,830.99</u>

Deferred Assets:

Insurance and other funds (Less \$9,407,000.00 par value of Com- pany's bonds reacquired, per contra).....	\$ 3,714,526.80
Other deferred assets.....	6,731.63
	<u>3,721,258.43</u>

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 34,723.86
Other unadjusted debits.....	84,917.67
	<u>119,641.53</u>

TOTAL..... \$131,500,490.92

EXHIBIT No. 3

DECEMBER 31, 1943

LIABILITIES

Capital Stock:

Common stock.....	\$ 39,995,385.00
Preferred stock.....	5,242,938.75
Stock liability for conversion.....	11,626.25

Total capital stock..... \$ 45,249,950.00

Funded Debt:

First Mortgage 4½% Bonds.....	\$67,148,000.00	
Less pledged as collateral under the First Lien and Refunding Mortgage and the Adjustment Income Mortgage.....	66,204,000.00	\$ 944,000.00

First Lien and Refunding Mortgage 5% Bonds.....	\$34,676,733.66	
Less held in Other Investments (\$1,029.04) and Deferred Assets (\$4,758,000.00) per contra.....	4,759,029.04	29,917,704.62

Adjustment Income Mortgage 5% Bonds.....	\$29,743,000.00	
Less held in Deferred Assets per contra.....	4,649,000.00	25,094,000.00

Total funded debt..... 55,955,704.62

Current Liabilities:

Audited accounts and wages payable.....	\$ 420,314.74
Miscellaneous accounts payable.....	25,803.71
Matured interest and dividends payable.....	173,970.56
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, 2¼% declared, February 24, 1944, payable April 1, 1944.....	564,615.00
Accrued interest and rents payable.....	644,660.85
Other current liabilities.....	2,628.47

Total current liabilities..... 1,831,993.33

Deferred Liabilities:

Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, 2¼% deferred.....	\$ 5,457,945.00
Other deferred liabilities.....	9,085.50

Total deferred liabilities..... 5,467,030.50

Unadjusted Credits:

Tax liability.....	\$ 380,808.84
Maintenance reserves.....	103,448.91
Accrued depreciation—Road and equipment.....	6,338,438.47
Accrued depreciation—Miscellaneous physical property.....	7,328,362.91
Other unadjusted credits.....	85,283.52

Total unadjusted credits..... 14,236,342.65

Corporate Surplus:

Funded debt retired through surplus.....	\$ 4,924,382.73
Miscellaneous fund reserves.....	678,783.26
Profit and loss—Balance.....	3,156,303.83

Total corporate surplus..... 8,759,469.82

TOTAL..... \$131,500,490.92

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1943

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	{ \$1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2) \$34,676,733.66	Central Hanover Bank & Trust Company of New York
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 29,743,000.00	Guaranty Trust Company of New York
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	Guaranty Trust Company of New York
						\$99,518,000.00	\$65,363,733.66	

- (1) The balance of the issue of First Mortgage 4½% bonds outstanding (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.
- (2) \$1,143,000.00 par value of First Lien and Refunding Mortgage Bonds were reacquired by the Company during the year 1943, making a total of \$7,616,929.04 reacquired prior to December 31, 1943, of which \$4,758,000.00 are held in the Property Amortization Fund and \$1,029.04 in OTHER investments, and \$2,857,900.00 were cancelled and retired as follows:
- \$ 13,400.00 par value in June 1916
1,701,500.00 par value in Aug. 1936
1,143,000.00 par value in Dec. 1943
- (3) \$2,617,000.00 par value of Adjustment Income Mortgage Bonds were reacquired by the Company during the year 1943, making a total of \$8,008,000.00 reacquired prior to December 31, 1943, of which \$4,649,000.00 are held in the Property Amortization Fund and \$3,359,000.00 were cancelled and retired as follows:
- \$ 742,000.00 par value in Dec. 1942
2,617,000.00 par value in Dec. 1943



THIRTY-SIXTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1944



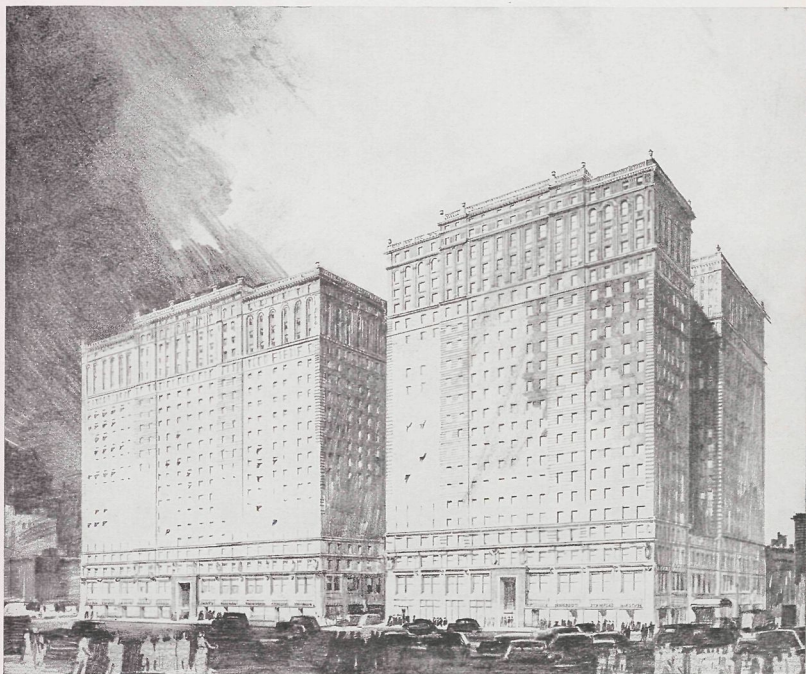
THIRTY-SIXTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1944



HUDSON TERMINAL BUILDINGS
NEW YORK CITY

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTY-SIXTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1944

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman—New York City

LEWIS L. CLARKE	- - - -	New York City	PERCY H. JOHNSTON	- - -	Montclair, N. J.
ALBERT H. WIGGIN	- - -	New York City	IRVING M. ENGEL	- - -	New York City
WM. HENRY BARNUM	- - -	New York City	LEWIS L. STRAUSS	- - -	New York City
H. HOBART PORTER	- - -	New York City	KELLEY GRAHAM	- - -	Jersey City, N. J.
		W. PAUL STILLMAN	- - -	Newark, N. J.	

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board and President

H. HOBART PORTER	- - - -	Vice-President	A. M. LINDENSTRUTH	- - - -	Secretary
L. Z. MORRIS STRAUSS	- - -	Vice-President	LUELLA L. NEFF	- - -	Assistant Secretary
JOHN E. BUCK	- - -	Vice-President and General Counsel	JOHN J. FRITSCH	- - - -	Comptroller
ROBERT S. CURTISS	-	Vice-President in Charge of Real Estate	FRANK U. MASTERSON	-	Assistant Comptroller
WESLEY S. TWIDDY	- - - -	Treasurer	J. C. VAN GIESON	- -	General Superintendent
WILLIAM F. FRANKLIN	- -	Assistant Treasurer	HARRY W. WEBBER	- - -	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST COMPANY OF NEW YORK, 140 Broadway, New York 7, N. Y.

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York 7, N. Y.

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York 7, N. Y.

March 10, 1945

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

A condensed statement of your Company's fiscal operations for the year ended December 31, 1944, as audited by Messrs. Haskins & Sells, Certified Public Accountants, is transmitted herewith:

Due to the continued curtailment of industrial and military activity in the territory served by your railroad, Hudson & Manhattan's passenger traffic, which reached a war-time peak in November, 1943, decreased progressively during the first seven months of 1944, in July, 921,105 fewer passengers being carried than in July, 1943. Beginning with August, 1944, however, the downward trend in traffic was reversed and by December the number of passengers carried was only 357,642 less than the number carried in December, 1943. In this connection it should be noted that the increased local interstate fare of a dime or a token, sold eleven for one dollar, authorized by the Interstate Commerce Commission for the duration of the war and six months thereafter and duly approved by the United States Supreme Court, became effective June 26, 1944.

Notwithstanding the improvement in traffic in August to December, the total number of passengers carried in 1944 as compared with 1943 decreased 5,400,567. The gross passenger revenue as compared with 1943 decreased \$136,808.87. By the same comparison, railroad operating expenses—chiefly wages and maintenance of structures and equipment—increased \$170,527.30. Again, gross revenues from Hudson Terminal Buildings increased \$95,379.66, but because operating expenses, including maintenance and tax accruals, increased \$124,287.16, the net income as compared with 1943 decreased \$28,907.50.

The deficit for the year 1944 resulting from all of your Company's operations was \$289,070.06, an increase of \$130,032.83 as compared with 1943.

Again, full interest was earned and paid upon the First Mortgage $4\frac{1}{2}\%$ and First Lien and Refunding Mortgage 5% Bonds in the hands of the public, and, again, no dividends were paid on your Company's Preferred or Common Stocks.

Upon the Adjustment Income Bonds, which bear cumulative interest at 5% per annum, payments have been made and authorized as follows: For the first six months of 1944, $1\frac{3}{4}\%$, or \$17.50 per thousand dollar bond, was paid October 1, 1944; for the last six months of the year, a disbursement of $2\frac{1}{2}\%$, or \$25.00 per thousand dollar bond, has been authorized and will be payable April 1, 1945. This payment of the full interest accrued upon the Adjustment Income Bonds for the second half of 1944 was made possible only by a non-recurring income credit created by the adjustment of claims for certain public utility taxes asserted by the City of New York for the period 1933-1942 and duly accrued by your Company's management. The total interest paid upon the Adjustment Income Bonds for 1944 of $4\frac{1}{4}\%$, or \$42.50 per thousand dollar bond, is the same amount which was paid for 1943. The accumulated arrearages of interest on the Adjustment Income Bonds outstanding in the hands of the public December 31, 1944, after the disbursement which will be made April 1 next, will amount to $22\frac{1}{2}\%$, or \$5,385,600.

During 1944, your Company's program, instituted in 1936, of using a portion of its Property Amortization or depreciation Fund, to reduce its funded indebtedness made further progress, \$458,000 par value of First Lien and Refunding Mortgage and \$1,158,000 par value of Adjustment Income Bonds being reacquired and retired, effecting an aggregate reduction of funded debt, including interest arrearages, of \$1,867,865. Besides reducing the principal and interest arrearages of the funded debt, your Company's program in 1944 also effected a reduction in fixed charges of \$73,587.26 for that year, and in future years will effect an annual reduction in fixed charges of \$80,800. Hudson & Manhattan's funded debt in the hands of the public December 31, 1944, amounted to \$54,339,704.62, exclusive of interest arrearages, as compared with \$69,031,704.62, exclusive of interest arrearages, in the hands of the public December 31, 1935.

Also during 1944, the Appellate Division of the Supreme Court of New York affirmed a judgment by the Supreme Court substantially reducing the assessed valuation of Hudson Terminal Buildings for the period January, 1932 to June, 1942, inclusive. The City of New York is presently prosecuting an appeal from this order. If the Court of Appeals sustains your Company's contentions, Hudson & Manhattan will receive a refund of approximately \$300,000 of taxes paid during the period mentioned and will probably be relieved of an appreciable portion of its tax burden for subsequent years.

With deep sorrow, record is made of the death July 11, 1944, of Fred K. Hilt, who had rendered invaluable service to Hudson & Manhattan as Superintendent of Construction since 1924; also the death October 13, 1944, of Robert B. Kay, who since 1918 had discharged the duties of Secretary of the corporation and Claim Agent with unfailing loyalty and ability.

Effective October 26, 1944, Mr. A. M. Lindenstruth was elected Secretary of your Company and the Division of Claims was transferred to the Legal Department.

With more than twelve per cent of its experienced employees presently in the armed services, Hudson & Manhattan is making every effort to give adequate service to the public and to discharge its obligations to its employees and security holders, the loyal support of both of which is gratefully acknowledged.

By order of the Board of Directors,

WALTER F. BROWN,
Chairman of the Board
and President

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK 4

ACCOUNTANTS' CERTIFICATE

TO THE BOARD OF DIRECTORS,
HUDSON & MANHATTAN RAILROAD COMPANY:

We have examined the general balance sheet of the Hudson & Manhattan Railroad Company as of December 31, 1944 and the related statements of income and of profit and loss for the year ended that date, have reviewed the accounting procedures of the Company and have examined its accounting records (which consistently have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission for Electric Railways) and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying general balance sheet and related statements of income and of profit and loss fairly present the financial condition of the Company at December 31, 1944 and the results of its operations for the year ended that date, in conformity with principles of accounting prescribed by the Interstate Commerce Commission for Electric Railways applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

NEW YORK, FEBRUARY 24, 1945.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1944
COMPARED WITH PREVIOUS YEAR

	1944	1943	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$6,724,544.70	\$6,861,353.57		\$136,808.87
Advertising.....	155,500.00	126,900.00	\$ 28,600.00	
Other car and station privileges.....	206,903.38	196,133.92	10,769.46	
Rent of buildings and other property.....	102,000.00	102,000.00		
Miscellaneous transportation revenue.....	34,000.00	21,000.00	13,000.00	
Other miscellaneous revenue.....	17,033.83	15,127.79	1,906.04	
TOTAL RAILROAD OPERATING REVENUES.....	\$7,239,981.91	\$7,322,515.28		\$ 82,533.37
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 571,793.11	\$ 545,497.08	\$ 26,296.03	
Maintenance of equipment.....	452,184.85	434,281.97	17,902.88	
Power.....	617,875.59	624,215.35		\$ 6,339.76
Transportation expenses.....	1,917,108.72	1,822,792.47	94,316.25	
General expenses.....	692,555.50	654,203.60	38,351.90	
TOTAL RAILROAD OPERATING EXPENSES.....	\$4,251,517.77	\$4,080,990.47	\$170,527.30	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,988,464.14	\$3,241,524.81		\$253,060.67
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	1,075,640.16	1,109,440.12		33,799.96
RAILROAD OPERATING INCOME.....	\$1,912,823.98	\$2,132,084.69		\$219,260.71
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	502,124.90	527,622.19		25,497.29
OPERATING INCOME.....	\$2,414,948.88	\$2,659,706.88		\$244,758.00
NON-OPERATING INCOME.....	108,576.81	112,037.86		3,461.05
GROSS INCOME.....	\$2,523,525.69	\$2,771,744.74		\$248,219.05
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:				
Rent for tracks, yards and terminals.....	\$ 44,259.42	\$ 50,138.47		\$ 5,879.05
Miscellaneous deductions.....	42,688.58	41,291.81	\$ 1,396.77	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 86,948.00	\$ 91,430.28		\$ 4,482.28
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,436,577.69	\$2,680,314.46		\$243,736.77
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	1,527,097.75	1,565,911.69		38,813.94
BALANCE.....	\$ 909,479.94	\$1,114,402.77		\$204,922.83
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,198,550.00	1,273,440.00		74,890.00
DEFICIT FOR THE YEAR.....	\$ 289,070.06	\$ 159,037.23	\$130,032.83	

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1944

Credit Balance, December 31, 1943.....		\$3,156,303.83
Additions:		
Delayed Income Credits:		
Adjustment of overaccrual of New York City Public Utility Taxes for the period September 1, 1933 to December 31, 1942, inclusive.....	\$ 131,279.17	
Adjustment to bring to par First Lien and Refunding Mortgage 5% Bonds and Adjustment Income Mortgage 5% Bonds reac- quired during the year ended December 31, 1944.....	1,004,775.00	
Cancellation of deferred interest on Adjustment Income Mortgage 5% Bonds reacquired during the year ended December 31, 1944.....	251,865.00	
Miscellaneous Credits.....	7,766.57	1,395,685.74
Total.....		\$4,551,989.57
Deductions:		
Deficit for the year ended December 31, 1944, per income account	\$ 289,070.06	
Delayed Income Debits:		
Interest and penalties paid in connection with settlement of New York City Public Utility Taxes.....	37,361.12	
Miscellaneous Debits.....	27.04	326,458.22
Credit Balance, December 31, 1944.....		\$4,225,531.35

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....		\$111,172,590.86
Deposits in lieu of mortgaged property sold.....		128,654.64
Maintenance funds.....		187,862.09
Miscellaneous physical property.....		13,642,316.03

Investments in affiliated companies:

Stocks.....	\$ 2,000.00	
Advances.....	41,807.25	
		43,807.25

Other investments:

Stocks.....	\$ 485.00	
Bonds.....	623,860.00	
		624,345.00

Total investments..... \$125,799,575.87

Current Assets:

Cash.....	\$ 855,418.96	
Special deposits.....	168,633.42	
Miscellaneous accounts receivable.....	210,596.47	
Material and supplies.....	439,436.16	
Interest receivable.....	17,518.82	
Other current assets.....	35,272.90	

Total current assets..... 1,726,876.73

Deferred Assets:

Insurance and other funds (Less \$9,407,000.00 par value of Company's bonds reacquired, per contra).....	\$ 3,794,742.21	
Other deferred assets.....	4,054.72	

Total deferred assets..... 3,798,796.93

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 31,276.90	
Other unadjusted debits.....	86,046.73	

Total unadjusted debits..... 117,323.63

Securities Issued or Assumed (per contra):

Unpledged.....	\$ 1,029.04	
Pledged.....	66,204,000.00	

TOTAL..... \$131,442,573.16

EXHIBIT No. 3

DECEMBER 31, 1944

LIABILITIES

Capital Stock:		
Common stock	\$ 39,995,385.00	
Preferred stock	5,242,938.75	
Stock liability for conversion	11,626.25	
Total capital stock		\$ 45,249,950.00
Funded Debt:		
First Mortgage $4\frac{1}{2}\%$ Bonds	\$67,148,000.00	
Less pledged as collateral under the First Lien and Refunding Mortgage and the Adjustment Income Mortgage per contra	66,204,000.00	\$ 944,000.00
First Lien and Refunding Mortgage 5% Bonds	\$34,218,733.66	
Less held in Deferred Assets (\$4,758,000.00) and Securities Issued or Assumed—Unpledged (\$1,029.04) per contra	4,759,029.04	29,459,704.62
Adjustment Income Mortgage 5% Bonds	\$28,585,000.00	
Less held in Deferred Assets per contra	4,649,000.00	23,936,000.00
Total funded debt		54,339,704.62
Current Liabilities:		
Audited accounts and wages payable	\$ 127,833.35	
Miscellaneous accounts payable	104,490.07	
Matured interest and dividends payable	178,061.81	
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, $2\frac{1}{2}\%$ declared, February 23, 1945, payable April 1, 1945	598,400.00	
Accrued interest and rents payable	635,170.19	
Other current liabilities	2,628.47	
Total current liabilities		1,646,583.89
Deferred Liabilities:		
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, $2\frac{1}{2}\%$ deferred	\$ 5,385,600.00	
Other deferred liabilities	15,868.79	
Total deferred liabilities		5,401,468.79
Unadjusted Credits:		
Tax liability	\$ 324,714.72	
Insurance and casualty reserves	560,000.00	
Maintenance reserves	187,862.09	
Accrued depreciation—Road and equipment	6,540,335.59	
Accrued depreciation—Miscellaneous physical property	7,569,226.91	
Other unadjusted credits	117,538.55	
Total unadjusted credits		15,299,677.86
Corporate Surplus:		
Funded debt retired through surplus	\$ 4,924,382.73	
Miscellaneous fund reserves	355,273.92	
Profit and loss—Balance	4,225,531.35	
Total corporate surplus		9,505,188.00
TOTAL		\$131,442,573.16

EXHIBIT No. 4

BONDS OUTSTANDING DECEMBER 31, 1944

CLASS OF BONDS	Denom-ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	{ \$1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2) \$34,218,733.66	Central Hanover Bank & Trust Company of New York
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 28,585,000.00	Guaranty Trust Company of New York
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	Guaranty Trust Company of New York
						\$99,518,000.00	\$63,747,733.66	

(1) The balance of the issue of First Mortgage 4½% bonds outstanding (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

(2) \$458,000.00 par value of First Lien and Refunding Mortgage Bonds were reacquired by the Company during the year 1944, making a total of \$8,074,929.04 reacquired prior to December 31, 1944, of which \$4,758,000.00 are held in the Property Amortization Fund and \$1,029.04 in Securities Issued or Assumed—Unpledged, and \$3,315,900.00 were cancelled and retired as follows:

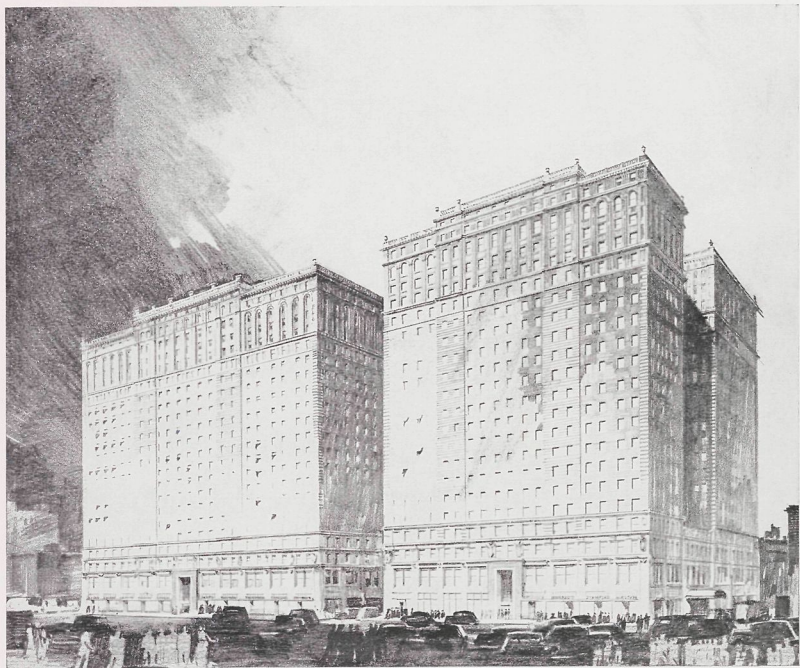
\$ 13,400.00 par value in June 1916
1,701,500.00 par value in Aug. 1936
1,143,000.00 par value in Dec. 1943
458,000.00 par value in Dec. 1944

(3) \$1,158,000.00 par value of Adjustment Income Mortgage Bonds were reacquired by the Company during the year 1944, making a total of \$9,166,000.00 reacquired prior to December 31, 1944, of which \$4,649,000.00 are held in the Property Amortization Fund and \$4,517,000.00 were cancelled and retired as follows:

\$ 742,000.00 par value in Dec. 1942
2,617,000.00 par value in Dec. 1943
1,158,000.00 par value in Dec. 1944



THIRTY-SEVENTH
ANNUAL REPORT
OF
Hudson & Manhattan Railroad Company
YEAR ENDED DECEMBER 31, 1945



HUDSON TERMINAL BUILDINGS
NEW YORK CITY

HUDSON & MANHATTAN RAILROAD COMPANY

THIRTY-SEVENTH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1945

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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman—New York City

LEWIS L. CLARKE	- - -	New York City	IRVING M. ENGEL	- - -	New York City
ALBERT H. WIGGIN	- - -	New York City	LEWIS L. STRAUSS	- - -	New York City
*WM. HENRY BARNUM	- - -	New York City	KELLEY GRAHAM	- - -	Jersey City, N. J.
H. HOBART PORTER	- - -	New York City	W. PAUL STILLMAN	- - -	Newark, N. J.
PERCY H. JOHNSTON	- - -	Montclair, N. J.	†JAMES FORGIE	- - -	Kew Gardens, N. Y.

*Resignation accepted December 27, 1945.

†Elected January 14, 1946.

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board and President

H. HOBART PORTER	- - -	Vice-President	A. M. LINDENSTRUTH	- - -	Secretary
L. Z. MORRIS STRAUSS	- - -	Vice-President	LUELLA L. NEFF	- - -	Assistant Secretary
JOHN E. BUCK	- - -	Vice-President and General Counsel	JOHN J. FRITSCH	- - -	Comptroller
ROBERT S. CURTISS	-	Vice-President in Charge of Real Estate	FRANK U. MASTERSON	-	Assistant Comptroller
WESLEY S. TWIDDY	- - -	Treasurer	J. C. VAN GIESON	-	General Superintendent
WILLIAM F. FRANKLIN	-	Assistant Treasurer	WILLIAM M. SMITH	-	Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST COMPANY OF NEW YORK, 140 Broadway, New York 7, N. Y.

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York 7, N. Y.

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York 7, N. Y.

March 9, 1946

TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

For your information there is transmitted herewith a condensed statement of your Company's fiscal operations for the year ended December 31, 1945, as audited by Messrs. Haskins & Sells, Certified Public Accountants.

Due to the curtailment of activities incident to the War in the territory served by your Railroad and the loss of traffic to competing trans-Hudson facilities following the lifting of restrictions upon the use of motor vehicles, Hudson & Manhattan's traffic, which reached a wartime peak in 1943, progressively declined during the last six months of 1945. For the full year passengers carried declined by 5,154,072, or 6.6% below 1944. However, because of the increase in local interstate fares, authorized by the Interstate Commerce Commission at the instance of your Company's management and effective June 26, 1944, the gross passenger revenue for 1945, as compared with that for 1944, was only \$166,184.58, or 2.5%, less.

Railroad operating expenses, exclusive of charges for amortization and depreciation, declined \$42,881.99, the major changes being wage increases aggregating \$96,499.58 and decreased general expenses of \$113,222.49, the latter arising largely from the termination of wartime provision for Insurance and Casualty Reserves. Provision for amortization and depreciation of structures increased by \$330,098.57, as authorized by the Bureau of Accounts of the Interstate Commerce Commission, resulting in an aggregate net increase in operating expenses of \$287,216.58. The funds allocated to cover charges for such amortization and depreciation have been added to the Company's Property Amortization Fund, which is included in Balance Sheet account, Insurance and other funds, and, to the extent not needed for maintaining the Company's physical properties, are available for debt retirement and other proper corporate purposes.

In contrast to the reduction in passenger revenues, the net revenue of Hudson Terminal Buildings increased \$63,980.63, which amount, added to a reduction in taxes of \$56,890.18, shows an aggregate net gain, as compared with 1944, of \$120,870.81, or 28.4%.

The deficit, or amount by which full bond interest was not earned, for the year 1945, resulting from all your Company's operations, after giving effect to the increased amortization and depreciation charges of \$330,098.57 heretofore mentioned, was \$500,576.96, an increase of \$211,506.90, as compared with 1944.

Full interest was earned and paid upon the First Mortgage 4½% and First Lien and Refunding Mortgage 5% Bonds in the hands of the public.

Upon the Adjustment Income Bonds, which bear cumulative interest of 5% per annum, payments have been made and authorized as follows: for the first six months of 1945, 1¾%, or \$17.50 per thousand dollar bond, was paid October 1, 1945; for the last six months of the year, a disbursement of 1¼%, or \$12.50 per thousand dollar bond, has been authorized and will be payable April 1, 1946. The total paid upon the

Adjustment Income Bonds for 1945 of 3%, or \$30.00 per thousand dollar bond, compares with 4 $\frac{1}{4}$ %, or \$42.50 per thousand dollar bond, paid for the year 1944. It should be noted, however, that the exceptionally large payment of 4 $\frac{1}{4}$ % for 1944 was made possible only by a non-recurring income credit created by the adjustment of claims for certain public utility taxes asserted by the City of New York for the period 1933-1942, provision for the payment of which had been duly accrued by your Company's management. The accumulated arrearages of interest on the Adjustment Income Bonds outstanding in the hands of the public December 31, 1945, after the disbursement that will be made April 1 next, will amount to 24 $\frac{1}{2}$ %, or \$5,647,495.

While no dividends could be paid upon your Company's Preferred and Common Stocks, the equity of both issues in Company assets continued to increase as a result of the continued retirement of debt at a substantial discount, notwithstanding the deficit sustained during the year.

DEBT RETIREMENT

During the year \$257,000 par value of First Lien and Refunding Bonds at a cost of \$184,073.75, and \$885,000 par value of Adjustment Income Bonds at a cost of \$301,022.50 were purchased in the open market and retired, thereby effecting a reduction in annual interest charges of \$57,100 and eliminating interest arrearages of \$215,625.

This reduction in funded debt was made pursuant to the policy instituted in 1936 of appropriating for debt reduction a portion of the Property Amortization Fund not currently required to maintain the Company's physical properties. 1945 marked the tenth year of this program which has proved highly effective in maintaining the solvency of the Company and in preserving an equity for the stockholders in the face of progressively increasing labor costs as well as drastic traffic losses which followed the opening of competing trans-Hudson facilities, viz.: the Holland Tunnels in November, 1927, the George Washington Bridge in October, 1931, and the Lincoln Tunnel in December, 1937. During this period, 1936 to 1945, funded debt in the hands of the public, exclusive of interest arrearages on the Adjustment Income Bonds, has been reduced \$15,834,000, from \$69,031,704.62 at December 31, 1935, to \$53,197,704.62 at December 31, 1945, or 22.9%, effecting a future annual reduction in interest on funded debt of \$791,700. Although accumulated interest on the outstanding Adjustment Income Bonds increased from 2% to 24 $\frac{1}{2}$ % since December 31, 1935, the total funded debt outstanding, plus all interest arrearages, has decreased by \$10,848,545, or 15.6%, due to this policy of debt retirement.

PASSENGER FARES

Your Company's traffic declined from a peak of 113,141,729 passengers in 1927 to a low of 65,287,023 passengers in 1940 following the opening of the competing trans-Hudson facilities mentioned previously. To compensate, if possible, for the resulting losses in revenues as well as for progressively increasing labor costs, your Company's management on July 31, 1937, applied to the Interstate Commerce Commission for authority to raise the fare on its downtown line between Hudson Terminal, New York, and Jersey City and Hoboken, from six to ten cents, the fare then in effect on the uptown line between 33rd Street, New York, and Jersey City and Hoboken. After protracted hearings, the Commission issued an order, effective July 25, 1938, denying an increase to ten cents but authorizing a maximum fare of eight cents on the downtown line.

An adequate trial period demonstrating that, by reason of the continued diversion of traffic to competing facilities and steadily increasing costs of operation, a fare of eight

cents on the downtown line could not produce sufficient revenues to enable Hudson & Manhattan to meet its full bond interest, your Company's management on June 27, 1942, again applied to the Interstate Commerce Commission for authority to charge a fare of ten cents on its downtown line, and on November 2, 1943, the Commission authorized, for the duration of the war and for six months thereafter, fares of a dime or a token, sold eleven for one dollar, on both the downtown and uptown lines, the effective date of this order being delayed until June 26, 1944, by injunction proceedings instituted by Jersey City.

Because, with the termination of hostilities, it became apparent that the re-application of the fares in effect prior to the war would unquestionably increase the amounts by which Hudson & Manhattan has failed to earn its full bond interest in recent years, your Company on October 13, 1945, filed its Petition for a modification of the Commission's order of November 2, 1943, asking a rescission of the time limit previously imposed and an authorization to continue the application of fares presently in effect until the further order of the Commission.

JOINT-SERVICE OPERATIONS

Since 1944 your Company's management has been attempting to obtain from the Pennsylvania Railroad Company a more favorable division of the revenues from joint-service operations and a reduced rental to the Pennsylvania Railroad for certain sub-surface rights in Jersey City granted to Hudson & Manhattan. When it became evident that an adjustment believed just to Hudson & Manhattan could not be reached by agreement, your Company filed a Complaint with the Interstate Commerce Commission against the Pennsylvania Railroad Company on October 13, 1945, asking the Commission to prescribe: (1) just, reasonable, and equitable divisions of revenues arising from the joint-service operations by Pennsylvania and Hudson & Manhattan Railroad Companies; (2) just, reasonable, and equitable compensation to Hudson & Manhattan for transporting Pennsylvania Railroad passengers between Exchange Place, Jersey City, and Hudson Terminal, New York; also (3) a just and reasonable reduction in compensation to Pennsylvania for such sub-surface rights in Jersey City. It is believed by your Company's management that such relief, if prescribed by the Interstate Commerce Commission, will produce substantial and obviously needed increased revenues.

The applications affecting both passenger fares and joint-service operations, above described, are presently pending before the Interstate Commerce Commission and will be pressed for hearing as speedily as possible.

REAL ESTATE TAXES

The appeal of the City of New York from the decision by the Appellate Division of the Supreme Court of New York, affirming a judgment by the Supreme Court reducing the assessed valuation of Hudson Terminal Buildings for the period 1932-1942, has been submitted and will be decided shortly. If the Court of Appeals sustains your Company's contentions, Hudson & Manhattan will receive a refund of approximately \$300,000 of taxes paid during the period mentioned and will probably be relieved of an appreciable portion of its tax burden for subsequent years.

Mr. Wm. Henry Barnum, who had been a director of your Company since January 17, 1924, resigned December 27, 1945. Mr. James Forgie, Chief Engineer Consultant of Hudson & Manhattan for many years, was duly elected to fill the vacancy.

With deep sorrow, record is made of the sudden and untimely death on February 28, 1945, of Ernest B. Day, who, having entered the service of Hudson & Manhattan Railroad Company in 1909, served as its Designing Engineer since 1921.

Your Company's tunnels and other structures and properties, including Hudson Terminal Buildings, have been efficiently maintained and are in excellent physical condition.

Grateful acknowledgment is made by your Board of the loyalty and diligence of the officers and employees of the Company to whom the war brought many added burdens and responsibilities.

By order of the Board of Directors,

WALTER F. BROWN,
Chairman of the Board
and President

ACCOUNTANTS' CERTIFICATE

TO THE BOARD OF DIRECTORS,

HUDSON & MANHATTAN RAILROAD COMPANY:

We have examined the general balance sheet of the Hudson & Manhattan Railroad Company as of December 31, 1945 and the related statements of income and of profit and loss for the year ended that date, have reviewed the accounting procedures of the Company and have examined its accounting records (which consistently have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission for Electric Railways) and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying general balance sheet and related statements of income and of profit and loss fairly present the financial condition of the Company at December 31, 1945 and the results of its operations for the year ended that date, in conformity with principles of accounting prescribed by the Interstate Commerce Commission for Electric Railways applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

NEW YORK, FEBRUARY 16, 1946.

EXHIBIT No. 1
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1945
COMPARED WITH PREVIOUS YEAR

	1945	1944	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$6,558,360.12	\$6,724,544.70		\$166,184.58
Advertising.....	196,600.00	155,500.00	\$ 41,100.00	
Other car and station privileges.....	228,260.74	206,903.38	21,357.36	
Rent of buildings and other property.....	102,000.00	102,000.00		
Miscellaneous transportation revenue.....	28,999.42	34,000.00		5,000.58
Other miscellaneous revenue.....	16,193.49	17,033.83		840.34
TOTAL RAILROAD OPERATING REVENUES.....	\$7,130,413.77	\$7,239,981.91		\$109,568.14
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$ 880,163.37	\$ 571,793.11	\$308,370.26	
Maintenance of equipment.....	484,470.19	452,184.85	32,285.34	
Power.....	635,799.41	617,875.59	17,923.82	
Transportation expenses.....	1,959,928.56	1,917,108.72	42,819.84	
General expenses.....	578,372.82	692,555.50		\$114,182.68
TOTAL RAILROAD OPERATING EXPENSES.....	\$4,538,734.35	\$4,251,517.77	\$287,216.58	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$2,591,679.42	\$2,988,464.14		\$396,784.72
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	1,049,059.99	1,075,640.16		26,580.17
RAILROAD OPERATING INCOME.....	\$1,542,619.43	\$1,912,823.98		\$370,204.55
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	612,981.74	502,124.90	\$110,856.84	
OPERATING INCOME.....	\$2,155,601.17	\$2,414,948.88		\$259,347.71
NON-OPERATING INCOME.....	105,431.97	108,576.81		3,144.84
GROSS INCOME.....	\$2,261,033.14	\$2,523,525.69		\$262,492.55
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:				
Rent for tracks, yards and terminals.....	\$ 46,369.35	\$ 44,259.42	\$ 2,109.93	
Miscellaneous deductions.....	53,578.52	42,688.58	10,889.94	
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 99,947.87	\$ 86,948.00	\$ 12,999.87	
NET INCOME APPLICABLE TO BOND INTEREST.....	\$2,161,085.27	\$2,436,577.69		\$275,492.42
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	1,506,644.73	1,527,097.75		20,453.02
BALANCE.....	\$ 654,440.54	\$ 909,479.94		\$255,039.40
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,155,017.50	1,198,550.00		43,532.50
DEFICIT FOR THE YEAR.....	\$ 500,576.96	\$ 289,070.06	\$211,506.90	

EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1945

Credit Balance, January 1, 1945.....		\$4,225,531.35
Additions:		
Adjustment to bring to par First Lien and Refunding Mortgage 5% Bonds and Adjustment Income Mortgage 5% Bonds reac- quired during the year ended December 31, 1945.....	\$656,903.75	
Cancellation of deferred interest on Adjustment Income Mortgage 5% Bonds reacquired during the year ended December 31, 1945.....	215,625.00	
Miscellaneous Credits.....	10,063.79	882,592.54
Total.....		<u>\$5,108,123.89</u>
Deductions:		
Deficit for the year ended December 31, 1945, per income account	\$500,576.96	
Miscellaneous Debits.....	106,971.50	607,548.46
Credit Balance, December 31, 1945.....		<u><u>\$4,500,575.43</u></u>

GENERAL BALANCE SHEET

ASSETS

Investments:

Road and equipment.....		\$111,175,118.58	
Deposits in lieu of mortgaged property sold.....		150,342.11	
Maintenance funds.....		276,623.48	
Miscellaneous physical property.....		13,603,566.95	
Investments in affiliated companies:			
Stocks.....	\$ 2,000.00		
Advances.....	41,807.25		
		43,807.25	
Other investments—			
Bonds.....		536,000.00	
Total investments.....			\$125,785,458.37

Current Assets:

Cash.....	\$ 590,039.28		
Special deposits.....	142,275.91		
Miscellaneous accounts receivable.....	192,352.26		
Material and supplies.....	476,529.99		
Interest receivable.....	17,214.91		
Other current assets.....	37,098.70		
Total current assets.....			1,455,511.05

Deferred Assets—

Insurance and other funds (Less \$9,407,000.00 par value of Company's bonds reacquired, per contra).....			4,231,288.52
--	--	--	--------------

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$ 33,286.11		
Other unadjusted debits.....	29,895.06		
Total unadjusted debits.....			63,181.17

Securities Issued or Assumed (per contra):

Unpledged.....	\$ 1,029.04		
Pledged.....	66,204,000.00		

TOTAL			<u>\$131,535,439.11</u>
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EXHIBIT No. 3

DECEMBER 31, 1945

LIABILITIES

Capital Stock:			
Common stock		\$	39,995,385.00
Preferred stock			5,242,938.75
Stock liability for conversion			11,626.25
Total capital stock			\$ 45,249,950.00
Funded Debt:			
First Mortgage 4½% Bonds	\$67,148,000.00		
Less pledged as collateral under the First Lien and Refunding Mortgage and the Adjustment Income Mortgage per contra	66,204,000.00	\$	944,000.00
First Lien and Refunding Mortgage 5% Bonds	\$33,961,733.66		
Less held in Deferred Assets (\$4,758,000.00) and Securities Issued or Assumed — Unpledged (\$1,029.04) per contra	4,759,029.04		29,202,704.62
Adjustment Income Mortgage 5% Bonds	\$27,700,000.00		
Less held in Deferred Assets per contra	4,649,000.00		23,051,000.00
Total funded debt			53,197,704.62
Current Liabilities:			
Audited accounts and wages payable		\$	141,140.91
Miscellaneous accounts payable			192,424.59
Matured interest and dividends payable			174,660.56
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, 1¼% declared, February 14, 1946, payable April 1, 1946			288,137.50
Accrued interest and rents payable			627,513.46
Other current liabilities			2,484.33
Total current liabilities			1,426,361.35
Deferred Liabilities:			
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, 24½% deferred		\$	5,647,495.00
Other deferred liabilities			12,081.64
Total deferred liabilities			5,659,576.64
Unadjusted Credits:			
Tax liability		\$	196,519.41
Insurance and casualty reserves			720,000.00
Maintenance reserves			276,623.48
Accrued depreciation—Road and equipment			7,081,389.29
Accrued depreciation—Miscellaneous physical property			7,734,643.94
Other unadjusted credits			212,950.30
Total unadjusted credits			16,222,126.42
Corporate Surplus:			
Funded debt retired through surplus		\$	4,924,382.73
Miscellaneous fund reserves			354,761.92
Profit and loss—Balance			4,500,575.43
Total corporate surplus			9,779,720.08
TOTAL			\$131,535,439.11

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1945

CLASS OF BONDS	Denom-ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	{ \$1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2) \$33,961,733.66	Central Hanover Bank & Trust Company of New York
Adjustment Income Mortgage.....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 27,700,000.00	Guaranty Trust Company of New York
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 944,000.00	944,000.00	Guaranty Trust Company of New York
						\$99,518,000.00	\$62,605,733.66	

(1) The balance of the issue of First Mortgage 4½% bonds outstanding (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

(2) \$257,000.00 par value of First Lien and Refunding Mortgage Bonds were reacquired by the Company during the year 1945, making a total of \$8,331,929.04 reacquired prior to December 31, 1945, of which \$4,758,000.00 are held in the Property Amortization Fund and \$1,029.04 in Securities Issued or Assumed—Unpledged, and \$3,572,900.00 were cancelled and retired as follows:

\$ 13,400.00 par value in June 1916
1,701,500.00 par value in Aug. 1936
1,143,000.00 par value in Dec. 1943
458,000.00 par value in Dec. 1944
257,000.00 par value in Dec. 1945

(3) \$885,000.00 par value of Adjustment Income Mortgage Bonds were reacquired by the Company during the year 1945, making a total of \$10,051,000.00 reacquired prior to December 31, 1945, of which \$4,649,000.00 are held in the Property Amortization Fund and \$5,402,000.00 were cancelled and retired as follows:

\$ 742,000.00 par value in Dec. 1942
2,617,000.00 par value in Dec. 1943
1,158,000.00 par value in Dec. 1944
885,000.00 par value in Dec. 1945

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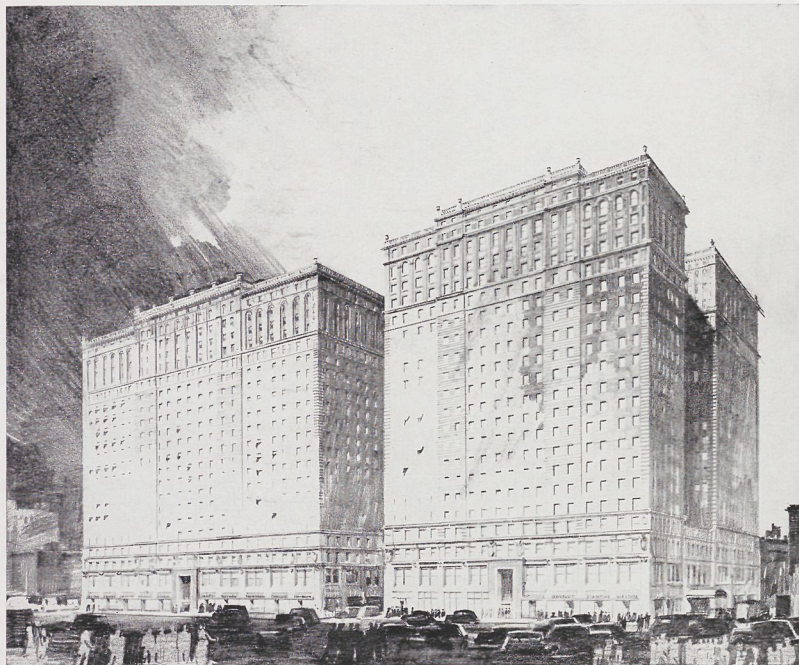
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THIRTY-EIGHTH
ANNUAL REPORT
OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1946



HUDSON TERMINAL BUILDINGS
NEW YORK CITY

February 28, 1947

TO THE STOCKHOLDERS OF

HUDSON & MANHATTAN RAILROAD COMPANY

At your last annual meeting, an entire new Board of Directors of the Company was elected. Since that time your new Board has applied itself diligently toward a solution of the problems confronting your Company.

The real estate operations hereafter reported in detail show an upward trend in revenue which, it is believed, will continue for some time to come. Modernization of the railway equipment has been initiated. The fare rate has been stabilized, and we have procured the services of Mr. William T. Rossell, an outstanding expert in the transit field, under whose guidance we hope to establish policies which will result in an increase in the general revenues of your Company and to effectuate many substantial and important economies, which it is anticipated will arrest the decline of railway revenues.

The following report deals with those problems and the action taken and planned by your Board concerning them.

The Company's Railway Operations

Your Company renders an essential public service, carrying 70,000,000 passengers annually, approximately 26% of all persons crossing the Hudson River between New York City and New Jersey. Despite the essential and public nature of its service, the Company has earned during the past ten years an average of only approximately 3% on its capital devoted to the public use. In contrast, most other companies performing essential and public services in the United States during the same period have earned substantially more on their capital. The basic reason for the inability of the Company to earn a fair return lies in the fact that buses and automobiles have diverted traffic from the Company. This they have accomplished because they utilize trans-Hudson facilities at less than the competitive cost of the service provided. The facilities used by them are subsidized by various direct and indirect means.

This subsidized competition has manifested itself in the experience of the Company since 1927. Passenger traffic on the Company's lines declined steadily since that year, when 113,100,000 passengers were carried, to 1941, when 65,800,000 were carried. A similar decline was experienced by other railroads and ferries, non-subsidized competitors of the Company. While this decline was taking place the total trans-Hudson passenger

traffic remained practically stable—the traffic previously handled by ferries and railroads, including the Company, being diverted to buses and automobiles, whose traffic increased from 27,000,000 in 1927 to 112,000,000 in 1941. This increase was made possible by and coincided with the construction and completion of the Holland and Lincoln Tunnels and the George Washington Bridge. Although the Company experienced a slight gain in traffic during the war years, in 1946 the level approximated that of 1941.

During the period of decline from 1927 to 1941, despite a slight increase in fares, the loss of traffic was so substantial that gross passenger revenues declined from \$8,461,954 in 1927 to \$5,461,858 in 1941. Moreover, operating expenses, particularly wages, have risen materially with the result that the Company failed to earn its interest charges in full in any year since 1932.

During the past year due to increased use of competitive and publicly owned trans-Hudson facilities, the use of which was curtailed during the war, and a shut-down of the Company's operations in May and June because of labor difficulties, the number of passengers carried on the Company's lines declined 10.8% from the previous year. The major portion of this loss was attributable to strikes and should not recur in future years.

Railway Revenues

Passenger revenues declined 10.4%, in approximate proportion to the decrease in passenger traffic. Revenues are dependent not only on the number of persons transported but also upon the fares for transportation. Alternative fares of a dime or a token, sold eleven for one dollar, were established for the duration of the war and six months thereafter. Toward the end of last year the Company was successful in obtaining authority from the Interstate Commerce Commission to establish straight ten-cent fares on both the up-town and downtown lines. This authority, which eliminates the use of tokens, became complete on February 28, 1947. The establishment of the new fixed rate resolves the uncertainty relating to fares and will tend to increase revenue per passenger.

Still further steps have been taken by your management to increase the revenues of the Company. Aggregate passenger revenues include the revenue derived from joint-service operations with The Pennsylvania Railroad Company between Newark and Hudson Terminal. The division of revenues, the rent paid to the Pennsylvania Railroad for certain sub-surface rights, and the compensation paid to the Company for transporting Pennsylvania passengers between Exchange Place Station, Jersey City, and Hudson Terminal, New York, have been the subject of proceedings before the Interstate Commerce Commission. During the past year, your management has taken all possible steps before the Inter-

state Commerce Commission to obtain a just and equitable disposition of the matter. In accordance with an agreement reached between the Commission, the Pennsylvania Railroad, and the Company, the Pennsylvania Railroad and the Company were to prepare and to exchange data pertaining to their respective companies. We have prepared these data and are awaiting action by the Pennsylvania Railroad in order to effect the exchange. Hearings are expected to be held before the Interstate Commerce Commission shortly after the data are exchanged.

During the past year the Company has undertaken to modernize, rehabilitate and improve equipment, and to re-design and improve station and platform facilities. Thirty cars have been modernized and improvements have been made to six stations and the Hudson Terminal facilities. Within the year it is expected that a passageway will be constructed connecting Hudson Terminal and the 8th Avenue Subway Station. It is hoped that the modernization of equipment will encourage greater use of the railway facilities of your Company, and thus increase the operating revenue. Greater use of the facilities of your Company, particularly if they are modernized and made more attractive may result from increasing problems of surface traffic congestion and of parking in New York City. It is not beyond hope that there may be a reversal of the trend of the past period and we are very carefully exploring the possibilities of such developments.

Development of Management Program

Not only has your Management during the past year inaugurated a modernization program, stabilized fares and continued pressing the divisions claim matter towards a conclusion, but it has taken a long-needed step in revitalizing its executive and operational personnel.

A survey of the affairs of the Company following the election of your new Board made

evident that the prerequisite to a solution of its problems was that it have as its Chief Executive a man with a background of experience and a record of performance in transit operations.

Your directors accordingly devoted considerable time and effort to procure the services of such a person, and they are highly pleased to report their recent success in securing Mr.

View of Hudson Terminal Concourse, illustrating (1) one of the modern stands fostered by the property-improvement program; (2) the removal of obstructions from main aisle; (3) (at the far end of the aisle) the proposed site for the passageway to the 8th Avenue Subway Station.



William T. Rossell to serve as a director with the expectation that he will become President of the Company in April. Mr. Rossell was Vice President of the Brooklyn & Queens Transit Corporation for 9 years prior to 1939. He was in charge of trolley and bus lines connecting with the BMT subway and elevated lines. From 1939 to 1944, he ran the St. Louis transit system as President of the St. Louis Public Service Company. He is currently President of Transit Research Corporation, New York, New York and is also a Director of National City Lines, which controls the transit systems in many cities. Mr. Rossell has a nation-wide reputation as an operator and executive in the transit field.

Your Board expects the Management, under the leadership of Mr. Rossell, to make an all-out effort to reverse the traffic trend and increase efficiency in a manner not heretofore effectuated. There are opportunities to increase and stimulate commuter and off-peak travel: increasing traffic congestion and parking problems in New York City will make it ever more difficult and less



One of six stations repainted in light-reflecting colors.

attractive for private autos and buses to use competitive facilities; housing developments should increase the number of Jersey commuters. It is hoped that increased traffic coupled with increased efficiency in the conduct of operations will provide the basis for improved railroad earnings.

Real Estate Operations

The Hudson Terminal Buildings, opened in 1908, contain approximately one million square feet of rentable area. The bridge-connected twin buildings are located in the downtown area of New York City. The buildings represent the principal real estate asset of the Company, which has been successful in securing and maintaining 100% occupancy during the year 1946.

Gross revenues in 1946 amounted to \$2,171,398, an increase of 5.5% over 1945. This upward trend is continuing this year. Net income amounted to \$549,462 representing a small increase over last year. A property maintenance and upkeep program involving substantial expenditures has been necessary during past years to retain a high level of rentals, and further substantial expenditures for post-war modernization

are necessary to minimize the competitive attraction of new office building construction now contemplated. This program was fostered and implemented during 1946, and has progressed satisfactorily, to the enhancement of the security of the present high rental income. The Company has also endeavored to recapture office space used by government and commercial organizations for purposes allied to the war effort. In this effort nearly ten per cent of all office space has been re-let at higher rentals with negligible loss of income during the conversion period.

During the year several parcels of non-income producing properties were sold at advantageous terms and the Company was relieved of the fixed and maintenance expenses involved.

The Financial Situation

Since 1932, due to the combination of decreasing passenger revenues and increased operating expenses, the Company has not earned the charges on its bonded indebtedness. On December 31, 1946, the Company had outstanding \$29,989,600 fixed interest and \$21,754,000 contingent interest obligations, a total of \$51,743,600, all of which matures in 1957. The annual interest charges on

this amount were \$2,582,470. In an effort to reduce this indebtedness and the interest charges, the Company has for some years past made purchases of its bonds in the market.

During the year 1946, the Company continued this policy, using a portion of the Property Amortization Fund not required for maintenance of physical properties to purchase bonds at sub-

stantial discounts. First Mortgage $4\frac{1}{2}\%$ Bonds, First Lien and Refunding 5% Bonds, and 5% Adjustment Income Bonds in the principal amounts of \$2,000, \$155,000, and \$1,297,000, respectively, were bought with such funds during 1946. The subsequent retirement of these bonds reduced the Company's bonded indebtedness by \$1,454,000, at a cost of \$512,117.50. The resulting savings in annual interest charges will amount to \$72,690, and interest arrearages of \$317,765 were eliminated.

Interest due in 1946 on the First Mortgage $4\frac{1}{2}\%$ and First Lien and Refunding 5% Bonds held by the public was paid in full. However, in respect of earnings during 1946 only $\frac{1}{2}$ of 1%

interest was paid on the Adjustment Income Bonds, due to the severe loss and increased operating expenses resulting from labor difficulties.

Stockholders' equity was increased by \$71,685.69 during the year. This was accomplished because the profit on bonds retired and recovery of real estate taxes more than offset the loss from operations.

The relation of decreasing revenues, increasing labor costs and the maturity of bonded indebtedness in 1957, to the establishment of financial policies is clear. The establishment of policies designed to preserve and enhance the position of the Company's stockholders is a primary objective of your Management.

By order of the Board of Directors,

WILLIAM J. McENERY,
Chairman of the Board.



Interior of one of the Company's redecorated cars.

View of the Car-Repair Shop at Henderson Street, Jersey City.



BOARD OF DIRECTORS*

WILLIAM J. McENERY, Temporary Chairman—New York City

JAMES L. CAREY - - - - New York City	JOHN S. KROESE - - - - Teaneck, N. J.
WILLIAM J. CASEY - - - Garden City, N. Y.	HENRY E. PEELLE - - - - New York City
DAVID S. FISCHMAN - - - - Brooklyn, N. Y.	JOHN READ - - - - Caldwell, N. J.
HUGH A. KELLY - - - - Jersey City, N. J.	WILLIAM T. ROSSELL - - - New York City
BENJAMIN H. ROTH - - - - New York City	

GENERAL OFFICERS*

WILLIAM J. McENERY, Temporary Chairman of the Board

HENRY E. PEELLE - Executive Vice-President	WALTER L. DRILL - - - - - Secretary
JOHN E. BUCK - - - - Vice-President and General Counsel	LUELLA L. NEFF - - - Assistant Secretary
ROBERT S. CURTISS - Vice-President in Charge of Real Estate	JOHN J. FRITSCH - - - - Comptroller
WESLEY S. TWIDDY - - - - - Treasurer	FRANK U. MASTERSON - Assistant Comptroller
WILLIAM F. FRANKLIN - - Assistant Treasurer	J. C. VAN GIESON - - General Superintendent
	WILLIAM M. SMITH - - - - Purchasing Agent

*As of February 28, 1947.

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST COMPANY OF NEW YORK, 140 Broadway, New York 7, N. Y.

TRANSFER AGENTS

EMPIRE TRUST COMPANY, 120 Broadway, New York 5, N. Y.

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York 7, N. Y.

THE GENERAL

DECEMBER 31, 1946, COMPARED

ASSETS	1946	1945	Increase or Decrease
Investments:			
Road and equipment.....	\$110,524,637.43	\$111,175,118.58	\$ 650,481.15
Deposits in lieu of mortgaged property sold.....	162,521.25	150,342.11	12,179.14
Maintenance funds.....	313,892.62	276,623.48	37,269.14
Miscellaneous physical property.....	13,625,324.09	13,603,566.95	21,757.14
Investments in affiliated companies:			
Stocks.....	\$ 2,000.00		
Advances.....	41,807.25		
	43,807.25	43,807.25	
Other investments—Bonds.....	261,952.23	536,000.00	274,047.77
Total investments.....	\$124,932,134.87	\$125,785,458.37	\$ 853,323.50
Current Assets:			
Cash.....	\$ 767,748.51	\$ 590,039.28	\$ 177,709.23
Special deposits.....	123,947.16	142,275.91	18,328.75
Miscellaneous accounts receivable.....	175,057.12	192,352.26	17,295.14
Material and supplies.....	467,348.21	476,529.99	9,181.78
Interest receivable.....	6,143.59	17,214.91	11,071.32
Other current assets.....	44,753.50	37,098.70	7,654.80
Total current assets.....	\$ 1,584,998.09	\$ 1,455,511.05	\$ 129,487.04
Deferred Assets—			
Insurance and other funds (Less \$9,407,000.00 par value of Company's bonds reacquired, per contra).....	\$ 4,465,702.75	\$ 4,231,288.52	\$ 234,414.23
Unadjusted Debits:			
Rents and insurance premiums paid in advance.....	\$ 27,593.21	\$ 33,286.11	\$ 5,692.90
Other unadjusted debits.....	33,212.66	29,895.06	3,317.60
Total unadjusted debits.....	\$ 60,805.87	\$ 63,181.17	\$ 2,375.30
Securities Issued or Assumed (per contra):			
Unpledged.....	\$ 1,029.04		
Pledged.....	66,204,000.00		
TOTAL.....	\$131,043,641.58	\$131,535,439.11	\$ 491,797.53

BALANCE SHEET

WITH DECEMBER 31, 1945

LIABILITIES	1946		1945		Increase or Decrease
Capital Stock:					
Common stock.....	\$ 39,995,385.00		\$ 39,995,385.00		\$
Preferred stock.....	5,242,938.75		5,242,938.75		
Stock liability for conversion.....	11,626.25		11,626.25		
Total capital stock.....	\$ 45,249,950.00		\$ 45,249,950.00		\$
Funded Debt:					
First Mortgage 4½% Bonds.....	\$ 67,146,000.00		\$ 67,148,000.00		\$ 2,000.00
Less pledged as collateral under the First Lien and Refund- ing Mortgage and the Adjustment Income Mortgage per contra.....	66,204,000.00		66,204,000.00		
Total First Mortgage 4½% Bonds outstanding in the hands of the public.....	\$ 942,000.00		\$ 944,000.00		\$ 2,000.00
First Lien and Refunding Mortgage 5% Bonds.....	\$ 33,806,733.66		\$ 33,961,733.66		\$ 155,000.00
Less held in Deferred Assets (\$4,758,000.00) and Securities Issued or Assumed—Unpledged (\$1,029.04) per contra.....	4,759,029.04		4,759,029.04		
Total First Lien and Refunding Mortgage 5% Bonds outstanding in the hands of the public.....	\$ 29,047,704.62		\$ 29,202,704.62		\$ 155,000.00
Adjustment Income Mortgage 5% Bonds.....	\$ 26,403,000.00		\$ 27,700,000.00		\$ 1,297,000.00
Less held in Deferred Assets per contra.....	4,649,000.00		4,649,000.00		
Total Adjustment Income Mortgage 5% Bonds outstanding in the hands of the public.....	\$ 21,754,000.00		\$ 23,051,000.00		\$ 1,297,000.00
Total funded debt outstanding in the hands of the public.....	\$ 51,743,704.62		\$ 53,197,704.62		\$ 1,454,000.00
Current Liabilities:					
Audited accounts and wages payable.....	\$ 192,357.03		\$ 141,140.91		\$ 51,216.12
Miscellaneous accounts payable.....	170,552.97		192,424.59		21,871.62
Matured interest and dividends payable.....	156,331.81		174,660.56		18,328.75
Interest on Adjustment Income Mortgage Bonds outstand- ing in hands of the public 1¼% declared, February 14, 1946, payable April 1, 1946.....			288,137.50		288,137.50
Accrued interest and rents payable.....	624,262.79		627,513.46		3,250.67
Other current liabilities.....	2,484.33		2,484.33		
Total current liabilities.....	\$ 1,145,988.93		\$ 1,426,361.35		\$ 280,372.42
Deferred Liabilities:					
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public 29% deferred December 31, 1946— 24½% deferred December 31, 1945.....	\$ 6,308,660.00		\$ 5,647,495.00		\$ 661,165.00
Other deferred liabilities.....	13,432.51		12,081.64		1,350.87
Total deferred liabilities.....	\$ 6,322,092.51		\$ 5,659,576.64		\$ 662,515.87
Unadjusted Credits:					
Tax liability.....	\$ 242,191.02		\$ 196,519.41		\$ 45,671.61
Insurance and casualty reserves.....	720,000.00		720,000.00		
Maintenance reserves.....	313,901.95		276,623.48		37,278.47
Accrued depreciation—Road and equipment.....	7,274,824.84		7,081,389.29		193,435.55
Accrued depreciation—Miscellaneous physical property.....	7,926,481.26		7,734,643.94		191,837.32
Other unadjusted credits.....	240,024.89		212,950.30		27,074.59
Total unadjusted credits.....	\$ 16,717,423.96		\$ 16,222,126.42		\$ 495,297.54
Corporate Surplus:					
Funded debt retired through surplus.....	\$ 4,924,382.73		\$ 4,924,382.73		\$
Miscellaneous fund reserves.....	367,837.71		354,761.92		13,075.79
Profit and loss—Balance.....	4,572,261.12		4,500,575.43		71,685.69
Total corporate surplus.....	\$ 9,864,481.56		\$ 9,779,720.08		\$ 84,761.48
TOTAL.....	\$131,043,641.58		\$131,535,439.11		\$ 491,797.53

EXHIBIT No. 2
INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1946
COMPARED WITH PREVIOUS YEAR

	1946	1945	INCREASE	DECREASE
RAILROAD OPERATING REVENUES:				
Passenger fares.....	\$5,878,245.14	\$6,558,360.12		\$680,114.98
Advertising.....	179,950.00	196,600.00		16,650.00
Other car and station privileges.....	234,098.90	228,260.74	\$ 5,838.16	
Rent of buildings and other property.....	102,000.00	102,000.00		
Miscellaneous transportation revenue.....	34,753.78	28,999.42	5,754.36	
Other miscellaneous revenue.....	7,393.21	16,193.49		8,800.28
TOTAL RAILROAD OPERATING REVENUES.....	\$6,436,441.03	\$7,130,413.77		\$693,972.74
RAILROAD OPERATING EXPENSES:				
Maintenance of way and structures.....	\$1,001,871.49	\$ 880,163.37	\$121,708.12	
Maintenance of equipment.....	509,896.08	484,470.19	25,428.89	
Power.....	541,099.24	635,799.41		\$ 94,700.17
Transportation expenses.....	2,192,886.95	1,959,928.56	232,958.39	
General expenses.....	489,041.96	578,372.82		89,330.86
TOTAL RAILROAD OPERATING EXPENSES.....	\$4,734,798.72	\$4,538,734.35	\$196,064.37	
NET REVENUE FROM RAILROAD OPERATIONS.....	\$1,701,642.31	\$2,591,679.42		\$890,037.11
TAXES APPLICABLE TO RAILROAD OPERATIONS.....	1,049,190.71	1,049,059.99	\$ 130.72	
RAILROAD OPERATING INCOME.....	\$ 652,451.60	\$1,542,619.43		\$890,167.83
NET INCOME OTHER THAN RAILROAD OPERATIONS.....	616,715.35	612,981.74	\$ 3,733.61	
OPERATING INCOME.....	\$1,269,166.95	\$2,155,601.17		\$886,434.22
NON-OPERATING INCOME.....	109,981.99	105,431.97	\$ 4,550.02	
GROSS INCOME.....	\$1,379,148.94	\$2,261,033.14		\$881,884.20
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:				
Rent for tracks, yards and terminals.....	\$ 51,797.30	\$ 46,369.35	\$ 5,427.95	
Miscellaneous deductions.....	30,247.69	53,578.52		\$ 23,330.83
TOTAL DEDUCTIONS PRIOR TO BOND INTEREST.....	\$ 82,044.99	\$ 99,947.87		\$ 17,902.88
NET INCOME APPLICABLE TO BOND INTEREST.....	\$1,297,103.95	\$2,161,085.27		\$863,981.32
INTEREST ON FIRST LIEN AND REFUNDING 5'S AND FIRST MORTGAGE 4½'S OUTSTANDING IN HANDS OF THE PUBLIC	1,501,057.90	1,506,644.73		5,586.83
BALANCE.....	*\$ 203,953.95	\$ 654,440.54		\$858,394.49
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,089,315.00	1,155,017.50		65,702.50
DEFICIT FOR THE YEAR.....	\$1,293,268.95	\$ 500,576.96	\$792,691.99	

NOTES:

*Denotes deficit.

Due to strikes service was suspended as follows:

May 18, 1946—4 P. M. E. S. T. to 6:45 P. M. E. S. T.—May 19, 1946,

May 23, 1946—4 P. M. E. S. T. to 9:00 P. M. E. S. T.—May 25, 1946,

May 30, 1946—4 A. M. E. S. T. to 7:00 P. M. E. S. T.—June 22, 1946.

EXHIBIT No. 3

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1946

Credit Balance, January 1, 1946.....		\$4,500,575.43
Additions:		
Delayed Income Credits:		
Refund of real estate taxes on Hudson Terminal Buildings by the City of New York for the period January 1, 1932 to June 30, 1942, inclusive, less expenses incident thereto..	\$ 290,285.49	
Adjustment to bring to par First Mortgage 4½% Bonds, First Lien and Refunding Mortgage 5% Bonds and Adjustment Income Mortgage 5% Bonds reacquired during the year ended December 31, 1946.....	941,882.50	
Cancellation of deferred interest on Adjustment Income Mortgage 5% Bonds reacquired during the year ended December 31, 1946.....	317,765.00	
Miscellaneous Credits.....	114,246.14	1,664,179.13
TOTAL.....		\$6,164,754.56
Deductions:		
Deficit for the year ended December 31, 1946, per income account	\$1,293,268.95	
Loss on Road and Equipment Retired:		
Loss in connection with sale of part of Power House Property	298,772.79	
Miscellaneous Debits.....	451.70	1,592,493.44
Credit Balance, December 31, 1946.....		<u>\$4,572,261.12</u>

EXHIBIT No. 4
BONDS OUTSTANDING DECEMBER 31, 1946

CLASS OF BONDS	Denom-ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Lien and Refunding Mortgage	$\left\{ \begin{array}{l} \$1,000 \\ 500 \\ 100 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	\$65,000,000.00	(2) \$33,806,733.66	Central Hanover Bank & Trust Company of New York
Adjustment Income Mortgage.....	$\left\{ \begin{array}{l} 1,000 \\ 500 \end{array} \right\}$	Feb. 1, 1913	Feb. 1, 1957	5	Apr. 1, Oct. 1	33,574,000.00	(3) 26,403,000.00	Guaranty Trust Company of New York
First Mortgage.....	1,000	Feb. 1, 1907	Feb. 1, 1957	4½	Feb. 1, Aug. 1	(1) 942,000.00	942,000.00	Guaranty Trust Company of New York
						\$99,516,000.00	\$61,151,733.66	

(1) \$2,000.00 par value First Mortgage 4½% Bonds were reacquired by the Company during the year 1946, and cancelled. The balance of the issue of First Mortgage 4½% Bonds outstanding (\$66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

(2) \$155,000.00 par value of First Lien and Refunding Mortgage Bonds were reacquired by the Company during the year 1946, making a total of \$8,486,929.04 reacquired prior to December 31, 1946, of which \$4,758,000.00 are held in the Property Amortization Fund and \$1,029.04 in Securities Issued or Assumed—Unpledged, and \$3,727,900.00 were cancelled and retired as follows:

\$ 13,400.00 par value in June 1916
1,701,500.00 par value in Aug. 1936
1,143,000.00 par value in Dec. 1943
458,000.00 par value in Dec. 1944
257,000.00 par value in Dec. 1945
155,000.00 par value in Dec. 1946

(3) \$1,297,000.00 par value of Adjustment Income Mortgage Bonds were reacquired by the Company during the year 1946, making a total of \$11,348,000.00 reacquired prior to December 31, 1946, of which \$4,649,000.00 are held in the Property Amortization Fund and \$6,699,000.00 were cancelled and retired as follows:

\$ 742,000.00 par value in Dec. 1942
2,617,000.00 par value in Dec. 1943
1,158,000.00 par value in Dec. 1944
885,000.00 par value in Dec. 1945
1,297,000.00 par value in Dec. 1946

JAMES D. MILLER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
140 NASSAU STREET, NEW YORK 7, N. Y.
TELEPHONE: RECTOR 2-0860

ACCOUNTANTS' CERTIFICATE

TO THE BOARD OF DIRECTORS,
HUDSON & MANHATTAN RAILROAD COMPANY:

We have examined the general balance sheet of the Hudson & Manhattan Railroad Company as at December 31, 1946 and the related statements of income and of profit and loss for the year ended that date, have reviewed the accounting procedures of the Company and have examined its accounting records (which consistently have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission for Electric Railways) and other evidence in support of such financial statements.

Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying general balance sheet and related statements of income and of profit and loss fairly present the financial condition of the Company at December 31, 1946 and the results of its operations for the year ended that date, in conformity with principles of accounting prescribed by the Interstate Commerce Commission for Electric Railways applied on a basis consistent with that of the preceding year.

JAMES D. MILLER & Co.

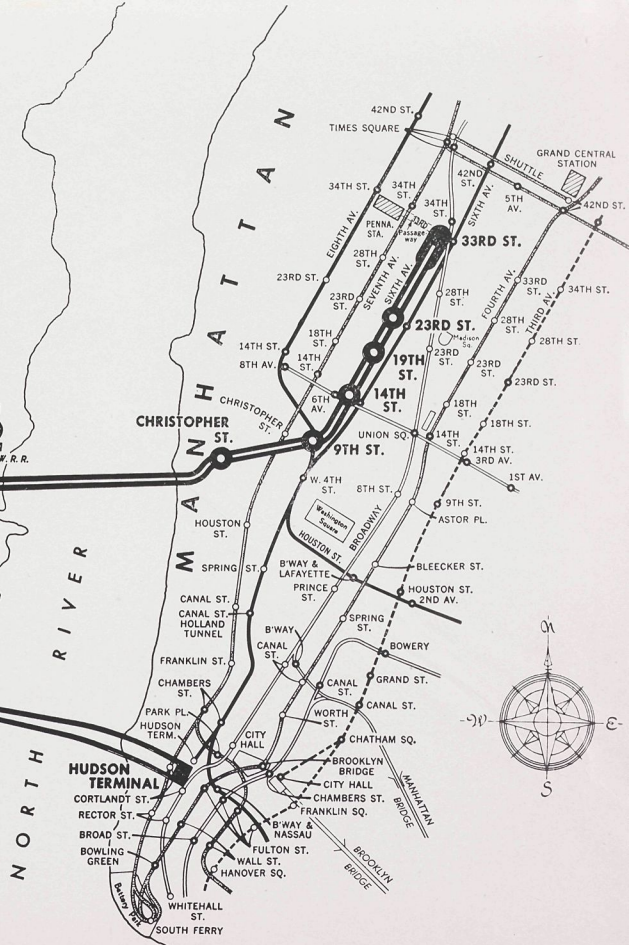
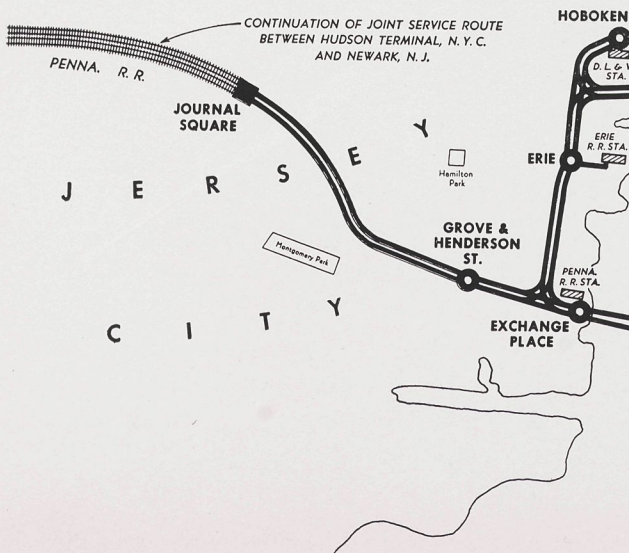
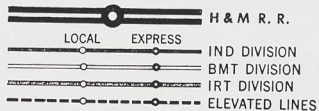
NEW YORK, FEBRUARY 13, 1947.

H & M R. R.

LOCAL EXPRESS

IND DIVISION
BMT DIVISION

IRT DIVISION
ELEVATED LINES



MAR 23 1948

3704



Thirty-Ninth
ANNUAL REPORT

Year Ended
December 31, 1947



The Hudson Terminal Buildings, situated at 30-50 Church Street in the heart of the downtown business district of New York. They are owned and operated by Hudson & Manhattan Railroad Company, and the Company's principal terminal and main offices are located therein.

HUDSON & MANHATTAN RAILROAD COMPANY

30 CHURCH STREET

NEW YORK 7, N. Y.



March 10, 1948

TO THE STOCKHOLDERS:

This is the fortieth anniversary of the opening of the first tube of your railroad as a transportation facility between New York and New Jersey. On February 26, 1908, service began between Manhattan and Hoboken, with completion of the entire system following in a few months.

The engineering genius, the financial skill, the untrammelled individual enterprise that went into the conception and the realization of the Hudson & Manhattan Railroad were vindicated from the start of operations in 1908. Then after a number of years came tax-free competition under governmental auspices—competition that provided vehicular traffic with expensive and subsidized facilities. This competition dimmed the lustre and lessened the rewards of those who had brought your railroad into existence but the fundamental principle remains sound with its inevitable reascendancy again seen.

Today your Management has the pleasure to report to you that the year 1947 marked an upward swing in both revenue and passenger traffic, that the present trend continues encouraging, and that the future holds promise of further substantial improvement. It is most gratifying to report the resumption of interest payments on the Company's Adjustment Income Bonds.

The economy of using the Hudson & Manhattan Railroad as a transportation system carries a still unequalled appeal to the public. The economy of time and the twin economy of cost give it an enduring place of major importance in the travel habits of the people of the Metropolitan District. In contrast with the sporadic service rendered by its bus-line competitors, your railroad serves the public twenty-four hours a day, every day of the year, irrespective of weather conditions.

The trains are operated on a frequent and regular schedule between the two states. They are not subject to the disruption that often besets the bus lines. The dependability of Hudson Tubes service was demonstrated repeatedly in the winter of 1947-8, particularly during the record snowstorm of the holiday season when the Hudson & Manhattan Railroad became the great and for a time practically the sole reliance of the public for trans-Hudson journeyings.

Your railroad is a rapid transit facility; rapid transit service is what it furnishes the public at an expense far less than its heavily subsidized vehicular competitors. Such service by its nature is not and cannot be de-luxe in all aspects but your Board of Directors has sought unceasingly in the last year to expedite the flow of traffic and, by modernization and readjustments of operations and of organization, to provide a public facility of the highest order. All of this has been undertaken with the best interests of the Company's security-holders in mind and with taxes and unavoidable higher labor costs the major increases in expenses.

Two items of future significance are called especially to your attention and receive further reference in this report. One is the recommendation of Examiner Koch, of the Interstate Commerce Commission, for a changed formula for the division of the joint service rates with The Pennsylvania Railroad on operations between Newark and New York.

The other is the move instituted by the Hon. Alfred E. Driscoll, Governor of New Jersey, for the construction of a great rail-plane terminal at Newark Airport that with the co-operation of existing rail facilities would have direct connection with Manhattan; and for the further expansion of transit facilities with a view to the full realization of the advantages of the strategic location of communities in northern New Jersey. Your Company has extended its co-operation to the Governor and deems his program one of the greatest and most desirable objectives to the future of the Metropolitan District's transportation system.

Newly-installed turnstiles in operation at Hudson Terminal (left) and at the 33rd Street Station.



Railroad Operations

By orders dated May 20 and September 5, 1947 the Interstate Commerce Commission granted The Pennsylvania Railroad Company authority to increase its basic passenger fares, and the latter order also granted authority to increase its commutation fares, including joint fares for transportation between stations on its line and stations on the lines of Hudson & Manhattan Railroad. Successful negotiations were conducted by executive officers of your Company for its participation in these increases, pursuant to which the payments made by the Pennsylvania Railroad to your Company for each passenger carried in the Newark-Hudson Terminal joint service have been progressively increased from the previously agreed division of 7.64 cents per passenger on the downtown line, to 8.59 cents effective June 1, 1947, to 8.78 cents effective August 1, 1947, and to 9.16 cents effective October 1, 1947, one cent additional being paid as of each of said dates for joint passengers carried to and from stations on the Company's uptown line. The foregoing adjustments of divisions increased the revenues of the Company by approximately \$160,000 per annum.

On January 20, 1948 we received the Proposed Report recommended by Interstate Commerce Commission Examiner Irving L. Koch in the Company's case against The Pennsylvania Railroad Company for an increase in its proportion of joint fares. Such Proposed Report recommends that the divisions of joint fares to be paid to your Company be further increased to 11.5 cents per passenger on the downtown line and to 12.5 cents per passenger on the uptown line. These divisions, on the basis of joint traffic for the year 1947, would further increase the revenues of Hudson & Manhattan by approximately \$450,000 per annum.

Although it seems probable that the recommendations of Examiner Koch will be sustained by the ruling of the Interstate Commerce Commission, we are not satisfied that existing inequities will be cured thereby. The division



Truck Assembly and Repair Shop at Railroad Avenue, Jersey City.

of Exchange Place-Hudson Terminal fares, from which your Company derives 5¢ per passenger, appears to us to be unfair, and we feel that with proper presentation to the Commission our share can be increased. The fare from Newark to 33rd Street, New York, using the Pennsylvania Railroad is 47¢; using the Hudson Tubes route the fare is 26¢. The difference in fares in our opinion is disproportionate to the service rendered.

Therefore, in exceptions to the Proposed Report now being prepared, the Commission will be asked to revise the Proposed Report so as to accord your Company divisions of approximately 16.5 cents per passenger, the amount necessary to yield sufficient additional revenue to enable the Company to meet its current bond interest requirements. As an alternative to the foregoing request, however, the Company will ask the Commission to pro-

vide for the financial needs of the Company by increasing by 4 cents per passenger the present agreed divisions of 9.16 cents downtown and 10.16 cents uptown; by recognizing, what the Proposed Report finds to be the fact, that the joint fares between Newark and New York are too low and should be increased to a maximum reasonable basis, and by requiring the Pennsylvania Railroad to co-operate with your Company to that end; and by recognizing, further, that the present local interstate fares of 10 cents downtown and uptown may be increased.

The Divisions Case is set for oral argument before the Interstate Commerce Commission on Monday, March 15, 1948, at Washington, D. C.

During the year 1947, your Railroad carried 67,636,850 passengers, as against 64,714,415 in 1946. These figures are not exactly commensurate, inasmuch as passenger traffic was curtailed during the strike that occurred in May and June of 1946.

It is our sincere belief that the downward trend in passenger traffic which has continued for some years has finally been arrested. This belief is given confirmation by the fact that the number of passengers in December, 1947 exceeded December, 1946 by more than 150,000; that the number of passengers in January, 1948 exceeded January, 1947 by more than 40,000; and by the fact that during the first nineteen days of February, 1948 the excess over the first nineteen days of February, 1947 was more than 130,000.

Passenger revenue during the year 1947 was in the amount of \$6,328,134.04, exceeding the 1946 revenue by approximately \$450,000.

Part of this excess is attributable to the strike in May and June of 1946; however, additional revenue resulting from increased divisions of the joint-service fares amounted to

\$104,163.63 during the months of June through December, 1947.

The Company has continued the program for the modernization of its rolling-stock. To date 107 cars have been re-

Condition of decorated in accordance with
Car Equipment the cheerful color-scheme adopted a year ago. All cars are subject to frequent inspection and repair, which have resulted in their being maintained in first class condition.

The installation of approximately one hundred turnstiles at the various stations of this Company was begun late last year, and is 50% completed. The cost of the

Installation of entire project is estimated at
Turnstiles \$80,000; the reduction in expenses, which should be fully realized upon completion in several months, is estimated at \$110,700 annually. The turnstiles were manufactured by Perey Manufacturing Company, Inc., and are of a substantial streamlined construction that not only indicates long years of service but measurably improves the appearance of the stations. Their contribution toward increased efficiency in the collection of fares is not to be discounted.

Your Company has ordered the installation of a Consolidated Interlocking Plant at Hudson Terminal, which is designed to do the work

Installation of formerly done by two separate plants. When installed,
Consolidated Interlocking Plant all switches and signals at both Hudson Terminal, New York, and Exchange Place, Jersey City, will be controlled from this single unit. The fabrication and assembly work for this installation is now in process; and to complete the installation will take at least six months more.

While the overall cost will be approximately \$230,000, annual savings will amount to \$10,000, and your Company will be equipped with the latest word in control mechanism.



The Car-Storage Yard and Car Inspection Shop at Henderson Street, Jersey City.

Your Company has entered into contracts providing for the regular removal of waste paper and other debris from the stations by local contracting concerns, instead of by Company trucks and employees. The use of local facilities will result in an annual saving of \$3,100.

Miscellaneous Economies

Through rescheduling of Red-Cap employees at the 33rd Street Terminal the Company is realizing an annual saving of \$2,700.

Your Company has entered into a new concession arrangement providing for the care of the rest rooms at Hudson Terminal whereby the concessionaire assumes full obligation for the employment of matrons. This results in a saving of \$8,000 annually.

Your Company has been blessed with a year in which no labor difficulty of sufficient importance to bring about a work stoppage or the serious threat thereof has occurred.

Labor Relations As respects railroad operations, labor agreements have been consummated with labor organizations representing approximately 89% of the rail-

road employees. Wage increases granted in concluding such agreements have followed the wage pattern established throughout the railroad industry, and the agreements have been designed with a view to the establishment of stable working conditions to minimize the risk of strikes and their resultant losses. The Brotherhood of Locomotive Engineers, which represents motormen, foremen and motor-switchmen (approximately 11% of the total number of operating personnel) has not yet reached a wage settlement with the Company, and this matter is now the subject of adjudication.

There are no unsettled wage negotiations at the current time between the Company and the labor organizations representing building employees.

Without endangering public safety or its labor relations problems, your Company has endeavored to reduce the number of employees wherever possible. At the end of January, 1947 employees of Hudson & Manhattan Railroad Company and its subsidiaries totalled 1,529; one year later the number was 1,464. The resultant saving in wages to the Company should approximate \$160,000 annually. The

continuation of the program for the reduction in force is feasible, and it is the intention of

your Management to press this matter to the extent that its application is practical.

Real Estate Matters

The Real Estate Department has embarked on a modernization program affecting store and booth premises on the property and at the stations of the Company. During the past year, negotiations were completed with six store tenants providing for the remodeling of their properties at their own expense at costs ranging from \$15,000 to \$50,000. All new construction of booths and stores is both substantial and modern, incorporating the use of fireproof materials, stainless steel or carrara glass fronts and neon and fluorescent lighting displays.

A Committee has been formed to insure uniformity as respects the buff and green color scheme selected for use throughout the Hudson Terminal Concourse, and the improved appearance of our stations, stores and booths has been the subject of much favorable comment from Hudson Tubes passengers.

Your Management is giving consideration to the complete installation of alternating current in the Hudson Terminal Buildings.

With the knowledge that other large buildings are planned for erection in the downtown area, we are developing a program for the future that will insure that our income will be substantial and stable as real estate conditions change.

Rentals earned from Hudson Terminal Buildings have been increased from \$2,049,904.44 in 1946 to \$2,151,951.78 in 1947, approximately 5%. All of the tenants are now paying

Rentals at least the 15% Emergency Rental increase permitted by the New York State rent control laws. Increases over and above the 15% increase can be accomplished either by agreement or by arbitration of the merits of each individual case. Your Company has entered into agreements and arbitration proceedings in a number of instances, and it is anticipated that the 1948 rentals will exceed those of the preceding year by approximately \$200,000.

The net income from the Buildings in 1947 was \$644,109.27, or more than 17% in excess of that realized during 1946.

During 1947 your Company negotiated settlements of litigation respecting New York City Real Property Taxes on the Hudson Terminal Buildings resulting in a net

Taxes refund of such taxes for the years 1942/43 to 1946/47, inclusive, amounting to \$227,090.07, and a net reduction in such taxes for the fiscal year 1947/48 amounting to \$30,702.01.

Your Company also successfully defended complaints and appeals by the City of Jersey City against the assessments of Class II railroad properties of the Company in Jersey City for the years 1946 and 1947 wherein increased assessments of approximately \$1,155,000 were sought for each of the years involved. Such complaints and appeals were dismissed, and the resulting savings amounted to approximately \$69,300.00.



Lobby of Hudson Terminal Building, 30 Church Street, illustrating modern lighting and decorative effects.

The construction of an underground passageway between the Hudson Terminal Concourse and the Chambers Street station of the Independent 8th Avenue-6th Avenue Subway has begun. When completed it will be possible for persons to walk underground from

Chambers Street south to Cortlandt Street without exposure to the weather. New Jersey commuters using the Tubes to Hudson Terminal will similarly be able to transfer to the 8th Avenue or 6th Avenue lines, and this may tend to increase passenger traffic. Inasmuch as many of the leases with our concessionaire tenants are on a percentage basis, the increased foot-traffic through the Concourse should enhance the value of the concessions and augment the rental income received therefrom.

Although the construction of this passageway is a sizeable undertaking, the major part of the cost will be borne by the City of New York, which owns the Independent Subway, and your Company will be required only to construct such portions as are within its own premises, at a cost estimated at \$5,000.

When this connection is completed, the Hudson Terminal Buildings will have direct underground passageway connections with the B. M. T., I. R. T., 8th Avenue, and 6th Avenue

subways, as well as our own railroad to New Jersey. The convenience of such magnificent transit facilities cannot be overlooked by prospective tenants and other business men.

Your Company is proceeding with plans for the removal of one of the four wide stone staircases that lead from Hudson Terminal Concourse to the street level on Dey Street. The amount of foot-traffic does not warrant the continued use of all four staircases, and by effecting the removal of one, a rentable area two stories high is created from which the Company may realize as much as \$15,000 per annum.

By combining space formerly occupied as a barber shop with space directly beneath it, the Company has produced a first-class restaurant-and-bar combination two stories high which has enhanced the rental value of the combined space considerably in excess of the values of the two separate spaces. Access to this new restaurant, from the main lobby of the 30 Church Street building, is an added convenience for our tenants.

Other Improvements at Hudson Terminal

The Financial Picture

During the year 1947 the earnings of the Company exceeded interest requirements by \$138,661.23, thus making funds available for the payment of $\frac{1}{2}\%$ on the Adjustment Income Bonds on April 1, 1948. This will be the first payment of such interest since October 1, 1946, and we hope as the financial situation constantly improves larger and more frequent payments will be possible.

A suit has been instituted against the Company in the Supreme Court, New York County, in behalf of Adjustment Income Bondholders seeking to obtain payment of accumulated arrearages of interest on such bonds, which interest has been accrued on the Company's

books. In answering this suit the Management of the Company has taken the position, among others, that under the terms of the indenture securing such bonds no arrearages of interest thereon are payable at this time because of insufficient earnings of the Company.

In 1946 the Company received a net refund of New York City real property taxes for the period January 1, 1932 to June 30, 1942 amounting to \$290,285.49. As detailed elsewhere herein, in 1947 a further net refund of \$227,090.07 was received. Eliminating these refunds for comparative purposes, the 1947 income of the Company exceeded 1946 by \$115,525.11.



Thrifter! Easier! Speedier!

Hudson Tubes

Why waste time standing in line? No weary waiting when you take the Tube! It's fast, it's economical—so handy for midtown Manhattan, the big stores and 5th Avenue shopping area, 33rd Street and Downtown Manhattan.

FARE **10¢** FROM ERIE DEPOT

Take the Tube and Save the Difference!

Hudson Tubes

**"THE FASTEST RIDE
FROM THE JERSEY SIDE"**


for

Midtown Manhattan, the big stores
and 5th Avenue shopping area,
33rd Street and Downtown Manhattan

Take the Tube ...



Save the Difference



Thrifter! Easier! Speedier!

Hudson Tubes

Take the Tube and Save the Difference!

Advertising Program

Feeling the need for increased and improved publicity for the services of your Company, the Management inaugurated an advertising program which in our opinion has contributed to the upturn in passenger traffic. Approximately \$4,000 has been spent in the running of advertisements such as those shown herein in various New Jersey and New York newspapers. We have concentrated such advertising in the northern New Jersey commuter areas as the most fertile field for prospective passengers.

If you live in the New York metropolitan area, you may have been surprised to hear your radio emit the following:

“(Train Whistle)
Get on b-o-o-o-ard!”

Get on b-o-o-o-ard!

The-Hudson-Tubes-The-Hudson-Tubes-
The-Hudson-Tubes-The-Hudson-Tubes.
(Train effect)

Yes, ladies and gentlemen, for the quickest and thriftiest ride to and from the Jersey side, get on b-o-o-o-ard, the Hudson Tubes.”

This bit of whimsy is broadcast twice daily week-days over Station WOR of the Mutual Broadcasting System, under a reciprocal arrangement whereby certain advertising of that Station is carried in the cars of your Railroad. This has continued for several months now and the only cost to the Company was the nominal one for the preparation of the transcription.

It is the opinion of the Management that until recently insufficient attention was given to the placing of directional signs in and about the stations, but this situation is fast being remedied.

In short, we have been striving for increased public awareness of your Company's facilities and improved public relations, and are gratified by the results that have so far been evident.

Plans for the Future

Under date of January 13, 1948 Governor Alfred E. Driscoll in his first annual report to the legislature of the State of New Jersey propounded extensive plans for the development of an air, sea, and rail terminal in the vicinity of Newark Airport, and for the expansion of rapid transit passenger service in the metropolitan areas of New Jersey, in which plans your Company plays a prominent part. The Governor said in his message, in part:

"It is apparent that our highways cannot be expected, in either North Jersey or South Jersey, for many years to come, if ever, to conveniently carry the hosts of commuters that every day travel back and forth across the Hudson and Delaware rivers. Direct rail transportation between New York, Philadelphia, and the great home areas of this State is urgently required."

By resolution addressed to Governor Driscoll your Board, in pledging the fullest co-operation of the Company toward the consummation of his plans, said in part that

"There is a great need for study and planning to effectuate expanded rapid-transit passenger service for the benefit of the public, and it is deemed not only proper but necessary for the Governor of New Jersey to have the fullest cooperation in the development and execution of plans to accomplish such desirable objectives . . .

"The Chairman of the Board, the President, and Engineering and Executive staffs of the Company hold themselves available for any service that they may be able to render to further efforts to put into actual effect improvements in handling the transportation and transfer of the public by rail in the metropolitan areas of the State of New Jersey and cooperate fully with Governor Driscoll in every respect to such end."

In November of 1947 your Management engaged the services of Puder and Puder, a well-known firm of accountants, to conduct a survey of the Accounting Department and Purchasing and Stores Departments of this Company with a view to improving efficiency and reducing expenses. This survey was ordered separate and apart from the annual audit, also performed by these accountants. After a thorough investigation, Messrs. Puder and Puder have submitted their survey and analysis, which concludes that the effectuation of measures suggested therein will result in annual savings amounting to \$35,000 as respects the Accounting Department and \$65,000 as respects the Purchasing and Stores Departments. These reports are at present being studied in detail.

Your Management has before it engineering data and plans for the installation of Multiple Door Control apparatus in the Company's cars. Such apparatus is designed to enable one man to operate doors on all of the cars of a train. The cost of the installation is estimated at \$700,000; however, annual savings therefrom would approximate \$385,000. This matter likewise is being carefully considered.

The foregoing future plans are presented to indicate your Management's interest in improving the efficiency of Company operations and in serving the convenience of the travelling public.

So on a note of what your Board considers justified optimism, this report to the stockholders is made on the results of operations in the past year. The search for means of further improving service will be continued to help insure even more favorable results on a basis commensurate with available financial resources and their proper conservation.

A word of grateful appreciation is due for the loyalty and support afforded by the Company's officers and employees. In the light of this fortieth anniversary, it is particularly fitting that mention should be made of the long-term contributions of Mr. John E. Buck, Vice President and General Counsel; Mr. Wesley S. Twiddy, Treasurer; Mr. J. C. Van Gieson, General Superintendent; Mr. J. J. Fritsch, Comptroller; Mr. M. J. O'Connell, Assistant General Superintendent; Mr. E. M. Blake, Superintendent of Way and Structures; Mr. Robert R. Potter, Superintendent of Car Equipment; Mr. Norman Conner, Acting Chief Engineer; and Mr. William A. Davis, Superintendent of Buildings.

By order of the Board of Directors,

WILLIAM J. EGAN,
President.

CORRECTION:

Page 11—

On March 10, 1948 WILLIAM J. EGAN, President of the Company, was elected to serve also as Chairman of the Board, succeeding EDWARD J. GOULD.

BOARD OF DIRECTORS

EDWARD J. GOULD, Chairman of the Board—New York, N. Y.

PAUL DE GATEGNO - - - New York, N. Y.	JOHN S. KROESE - - - - Teaneck, N. J.
WILLIAM J. EGAN - - - - Newark, N. J.	CHARLES PASSANNANTE - - New York, N. Y.
DAVID S. FISCHMAN - - - Brooklyn, N. Y.	HENRY E. PEELLE - - - Manhasset, N. Y.
HUGH A. KELLY - - - Jersey City, N. J.	WILLIAM T. ROSSELL - - New York, N. Y.
WILLIAM ZAGARINO - - - Bellmore, N. Y.	

GENERAL OFFICERS

EDWARD J. GOULD, Chairman of the Board

DAVID S. FISCHMAN, Chairman of the Executive Committee

WILLIAM J. EGAN - - - - - President	WALTER L. DRILL - - - - - Secretary
HENRY E. PEELLE - - - First Vice President	LUELLA L. NEFF - - - Assistant Secretary
CHARLES PASSANNANTE - - - Vice President	JOHN J. FRITSCH - - - - - Comptroller
JOHN E. BUCK - - - - - Vice President and General Counsel	FRANK U. MASTERSON Assistant Comptroller
WESLEY S. TWIDDY - - - - - Treasurer	J. C. VAN GIESON - General Superintendent
WILLIAM F. FRANKLIN - Assistant Treasurer	J. H. THIESMEIER - - - Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST COMPANY OF NEW YORK, 140 Broadway, New York 7, N. Y.

TRANSFER AGENT

LAWYERS TRUST COMPANY, 111 Broadway, New York 6, N. Y.

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York 7, N. Y.

EXHIBIT 1
GENERAL BALANCE SHEET

ASSETS	December 31, 1947	1946	Increase Decrease
Investments:			
Road and equipment.....	\$110,267,767.08	\$110,524,637.43	\$256,870.35
Less reserve for depreciation, road and equipment.....	7,577,334.47	7,274,824.84	302,509.63
Investment in transportation property less recorded depreciation.....	\$102,690,432.61	\$103,249,812.59	\$559,379.98
Deposits in lieu of mortgaged property sold.....	\$ 174,893.80	\$ 162,521.25	\$ 12,372.55
Maintenance funds.....	\$ 285,303.76	\$ 313,892.62	\$ 28,588.86
Miscellaneous physical property.....	\$ 13,625,324.09	\$ 13,625,324.09	\$ —
Less reserve for depreciation, miscellaneous physical property.....	8,123,961.10	7,926,481.26	197,479.84
Miscellaneous physical property less recorded depreciation..	\$ 5,501,362.99	\$ 5,698,842.83	\$197,479.84
Investments in affiliated companies:			
Stocks.....	\$ 2,000.00		
Advances.....	41,807.25		
	43,807.25	43,807.25	—
Other investments:			
U. S. Government bonds.....	251,499.36	261,952.23	10,452.87
Total investments.....	\$108,947,299.77	\$109,730,828.77	\$783,529.00
Current Assets:			
Cash.....	\$ 976,054.31	\$ 767,748.51	\$208,305.80
Special deposits.....	111,803.41	123,947.16	12,143.75
Miscellaneous accounts receivable.....	170,644.37	175,057.12	4,412.75
Material and supplies.....	571,236.25	467,348.21	103,888.04
Interest, dividends, and rents receivable.....	6,534.51	6,143.59	390.92
Other current assets.....	44,599.00	44,753.50	154.50
Total current assets.....	\$ 1,880,871.85	\$ 1,584,998.09	\$295,873.76
Deferred Assets:			
Insurance and other funds.....	\$ 14,607,349.00	\$ 13,872,702.75	\$734,646.25
Less Hudson & Manhattan Railroad Company bonds reacquired, par value, contra.....	9,407,000.00	9,407,000.00	—
Total deferred assets.....	\$ 5,200,349.00	\$ 4,465,702.75	\$734,646.25
Unadjusted Debits:			
Rents and insurance premiums paid in advance.....	\$ 26,092.36	\$ 27,593.21	\$ 1,500.85
Other unadjusted debits.....	55,650.30	33,212.66	22,437.64
Total unadjusted debits.....	\$ 81,742.66	\$ 60,805.87	\$ 20,936.79
Securities Issued or Assumed, Contra:			
Unpledged.....	\$ 1,029.04		
Pledged.....	66,204,000.00		
TOTAL.....	\$116,110,263.28	\$115,842,335.48	\$267,927.80

See notes to Income Account (Exhibit 2) and to Capital Stock and Funded Debt (Exhibit 4).

EXHIBIT 1

GENERAL BALANCE SHEET

LIABILITIES	December 31,		Increase Decrease
	1947	1946	
Capital Stock, Exhibit 4:			
Common stock.....	\$ 39,995,385.00	\$ 39,995,385.00	\$ —
Preferred stock.....	5,242,938.75	5,242,938.75	—
Stock liability for conversion.....	11,626.25	11,626.25	—
Total capital stock.....	\$ 45,249,950.00	\$ 45,249,950.00	\$ —
Funded Debt, Exhibit 4:			
First Mortgage 4½% bonds.....	\$ 67,146,000.00	\$ 67,146,000.00	\$ —
Less pledged as collateral under the First Lien and Refunding Mortgage and the Adjustment Income Mortgage, per contra.....	66,204,000.00	66,204,000.00	—
First Mortgage 4½% bonds outstanding.....	\$ 942,000.00	\$ 942,000.00	\$ —
First Lien and Refunding Mortgage 5% bonds.....	\$ 33,806,733.66	\$ 33,806,733.66	\$ —
Less held by Hudson & Manhattan Railroad Company.....	4,759,029.04	4,759,029.04	—
First Lien and Refunding Mortgage 5% bonds outstanding.....	\$ 29,047,704.62	\$ 29,047,704.62	\$ —
Adjustment Income Mortgage 5% bonds.....	\$ 26,403,000.00	\$ 26,403,000.00	\$ —
Less held by Hudson & Manhattan Railroad Company.....	4,649,000.00	4,649,000.00	—
Adjustment Income Mortgage 5% bonds out- standing.....	\$ 21,754,000.00	\$ 21,754,000.00	\$ —
Total funded debt.....	\$ 51,743,704.62	\$ 51,743,704.62	\$ —
Current Liabilities:			
Audited accounts and wages payable.....	\$ 196,056.62	\$ 192,357.03	\$ 3,699.59
Miscellaneous accounts payable.....	219,719.75	170,552.97	49,166.78
Matured interest, dividends, and rents unpaid.....	144,188.06	156,331.81	12,143.75
Interest on Adjustment Income Mortgage bonds outstanding in hands of the public, ½% declared February 19, 1948, payable April 1, 1948.....	108,770.00	—	108,770.00
Accrued interest, dividends, and rents payable.....	624,199.45	624,262.79	63.34
Taxes accrued.....	290,876.42	242,191.02	48,685.40
Other current liabilities.....	20,864.10	27,907.63	7,043.53
Total current liabilities.....	\$ 1,604,674.40	\$ 1,413,603.25	\$191,071.15
Deferred Liabilities:			
Interest on Adjustment Income Mortgage bonds outstanding in hands of the public, 3½% deferred December 31, 1947, 29% deferred December 31, 1946.....	\$ 7,287,590.00	\$ 6,308,660.00	\$978,930.00
Other deferred liabilities.....	12,145.54	13,432.51	1,286.97
Total deferred liabilities.....	\$ 7,299,735.54	\$ 6,322,092.51	\$977,643.03
Unadjusted Credits:			
Insurance reserves.....	\$ 720,000.00	\$ 720,000.00	\$ —
Operating reserves.....	16,425.00	14,402.00	2,023.00
Maintenance reserves.....	285,357.88	313,901.95	28,544.07
Other unadjusted credits.....	309,035.67	200,199.59	108,836.08
Total unadjusted credits.....	\$ 1,330,818.55	\$ 1,248,503.54	\$ 82,315.01
Surplus, Exhibit 3:			
Earned surplus, appropriated.....	\$ 5,292,220.44	\$ 5,292,220.44	\$ —
Earned surplus, unappropriated.....	3,589,159.73	4,572,261.12	983,101.39
Surplus balance.....	\$ 8,881,380.17	\$ 9,864,481.56	\$983,101.39
TOTAL.....	\$116,110,263.28	\$115,842,335.48	\$267,927.80

See notes to Income Account (Exhibit 2) and to Capital Stock and Funded Debt (Exhibit 4).

EXHIBIT 2
INCOME ACCOUNT

	December 31, 1947	1946	Increase Decrease
Railway Operating Revenues:			
Passenger fares.....	\$6,328,134.04	\$5,878,245.14	\$449,888.90
Advertising.....	184,700.00	179,950.00	4,750.00
Other station and car privileges.....	249,920.09	234,098.90	15,821.19
Rent of buildings and other property.....	102,000.00	102,000.00	—
Miscellaneous transportation revenue.....	37,936.10	34,753.78	3,182.32
Other miscellaneous revenue.....	7,694.23	7,393.21	301.02
TOTAL RAILWAY OPERATING REVENUES.....	<u>\$6,910,384.46</u>	<u>\$6,436,441.03</u>	<u>\$473,943.43</u>
Railway Operating Expenses:			
Maintenance of way and structures.....	\$ 973,914.03	\$1,001,871.49	\$ 27,957.46
Maintenance of equipment.....	538,087.04	509,899.08	28,187.96
Power.....	582,854.31	541,099.24	41,755.07
Conducting transportation.....	2,494,268.05	2,192,886.95	301,381.10
General expenses.....	578,179.70	489,041.96	89,137.74
TOTAL RAILWAY OPERATING EXPENSES.....	<u>\$5,167,303.13</u>	<u>\$4,734,798.72</u>	<u>\$432,504.41</u>
NET REVENUE FROM RAILWAY OPERATIONS.....	<u>\$1,743,081.33</u>	<u>\$1,701,642.31</u>	<u>\$ 41,439.02</u>
TAXES APPLICABLE TO RAILWAY OPERATIONS.....	1,063,829.49	1,049,190.71	14,638.78
RAILWAY OPERATING INCOME.....	<u>\$ 679,251.84</u>	<u>\$ 652,451.60</u>	<u>\$ 26,800.24</u>
NET INCOME OTHER THAN RAILWAY OPERATIONS.....	721,535.21	616,715.35	104,819.86
OPERATING INCOME.....	<u>\$1,400,787.05</u>	<u>\$1,269,166.95</u>	<u>\$131,620.10</u>
NON-OPERATING INCOME.....	116,030.49	109,981.99	6,048.50
DELAYED INCOME CREDITS.....	198,103.98	290,285.49	92,181.51
GROSS INCOME.....	<u>\$1,714,921.52</u>	<u>\$1,669,434.43</u>	<u>\$ 45,487.09</u>
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:			
Rent for tracks, yards, and terminals.....	\$ 54,393.60	\$ 51,797.30	\$ 2,596.30
Miscellaneous deductions.....	27,096.69	30,247.69	3,151.00
TOTAL INCOME DEDUCTIONS OTHER THAN BOND INTEREST	<u>\$ 81,490.29</u>	<u>\$ 82,044.99</u>	<u>\$ 554.70</u>
NET INCOME APPLICABLE TO BOND INTEREST.....	<u>\$1,633,431.23</u>	<u>\$1,587,389.44</u>	<u>\$ 46,041.79</u>
INTEREST ON FIRST LIEN AND REFUNDING 5% AND FIRST MORT- GAGE $4\frac{1}{2}\%$ BONDS OUTSTANDING IN HANDS OF THE PUBLIC..	1,494,770.00	1,501,057.90	6,287.90
BALANCE.....	<u>\$ 138,661.23</u>	<u>\$ 86,331.54</u>	<u>\$ 52,329.69</u>
INTEREST ON ADJUSTMENT INCOME 5% BONDS OUTSTANDING IN HANDS OF THE PUBLIC.....	1,087,700.00	1,089,315.00	1,615.00
DEFICIT FOR THE YEARS, Exhibit 3.....	<u>\$ 949,038.77</u>	<u>\$1,002,983.46</u>	<u>\$ 53,944.69</u>

NOTE: The Uniform System of Accounts for Electric Railways was revised, effective January 1, 1947, and accordingly, several items relative to 1946 have been reclassified in the financial statements for comparative purposes.

EXHIBIT 3

SURPLUS ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1947

Earned Surplus, Appropriated:

Credit balance, January 1, 1947:

Funded debt retired through surplus.....	\$4,924,382.73
Insurance and casualty reserves established prior to September 1, 1942.....	341,014.46
Reserve for doubtful accounts.....	26,823.25

Total.....	\$5,292,220.44
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Changes for the year ended December 31, 1947.....	—
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CREDIT BALANCE, DECEMBER 31, 1947, Exhibit 1.....	\$5,292,220.44
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Earned Surplus, Unappropriated:

Credit balance, January 1, 1947.....	\$4,572,261.12
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Additions:

Miscellaneous credits.....	308.75
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Total.....	\$4,572,569.87
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Deductions:

Deficit for the year ended December 31, 1947, per income
account, Exhibit 2.....

\$949,038.77

Loss from sale of land formerly used as coal storage yard

34,371.37

983,410.14

CREDIT BALANCE, DECEMBER 31, 1947, Exhibit 1.....	\$3,589,159.73
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EXHIBIT 4

CAPITAL STOCK AND FUNDED DEBT, DECEMBER 31, 1947

CLASS OF STOCK	No. of Shares Authorized	Issued and Outstanding	
		Number	Amount
Common, par value \$100.00 per share (1 and 2).....	500,000	399,943.6375	\$39,995,385.00
Preferred, par value \$100.00 per share, convertible to Common at option of holder, at \$110.00 (1).....	100,000	52,421.75	5,242,938.75
Stock liability for conversion.....	—	—	11,626.25
TOTAL CAPITAL STOCK, Exhibit 1.....			\$45,249,950.00

(1) In addition to the respective shares of Common and Preferred stock outstanding, the following old scrip has not been converted into full shares:

Common stock.....	10.2125 shares
Preferred stock.....	7.6375 shares

(2) 56,292 shares of authorized and unissued Common stock are held in reserve for conversion of 52,500 shares of Preferred stock and \$942,000.00 First Mortgage 4½% bonds.

FUNDED DEBT

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Mortgage (1).....	\$1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	\$ 942,000.00	\$ 942,000.00	Guaranty Trust Com- pany of New York
First Lien and Refunding Mortgage, Series A (2).....	{ 1,000 500 100 }	Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	33,806,733.66	Central Hanover Bank and Trust Company
Adjustment Income Mort- gage (3).....	{ 1,000 500 }	Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	26,403,000.00	Guaranty Trust Com- pany of New York
						<u>\$99,516,000.00</u>	<u>\$61,151,733.66</u>	

(1) The balance of the issued First Mortgage 4½% bonds, in the amount of \$66,204,000.00, is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.
The First Mortgage bonds outstanding, redeemable at par at the option of the Company, are convertible to Common stock at the option of the holder at \$110.00.

(2) The First Lien and Refunding Mortgage bonds reacquired prior to December 31, 1947 amounted to \$8,486,929.04, of which \$4,758,000.00 are held in the Property Amortization Fund and \$1,029.04 in Securities Issued or Assumed, Unpledged, and \$3,727,900.00 were cancelled and retired as follows:

\$ 13,400.00 par value in June, 1916	\$ 458,000.00 par value in Dec., 1944
1,701,500.00 par value in Aug., 1936	257,000.00 par value in Dec., 1945
1,143,000.00 par value in Dec., 1943	155,000.00 par value in Dec., 1946

The First Lien and Refunding Mortgage bonds outstanding are redeemable at 105% of face value at the option of the Company.

(3) The Adjustment Income Mortgage bonds reacquired prior to December 31, 1947 amounted to \$11,348,000.00, of which \$4,649,000.00 are held in the Property Amortization Fund and \$6,699,000.00 were cancelled and retired as follows:

\$ 742,000.00 par value in Dec., 1942	\$ 885,000.00 par value in Dec., 1945
2,617,000.00 par value in Dec., 1943	1,297,000.00 par value in Dec., 1946
1,158,000.00 par value in Dec., 1944	

The Adjustment Income Mortgage bonds outstanding are redeemable at par at the option of the Company.

Suit has been instituted in behalf of Adjustment Income Bondholders to obtain payment of accumulated arrearages of interest on such bonds, which interest has been accrued on the Company's books.

ACCOUNTANTS' CERTIFICATE

BOARD OF DIRECTORS,
HUDSON & MANHATTAN RAILROAD COMPANY,
30 Church Street,
New York, New York.

GENTLEMEN:

We have examined the general balance sheet of the Hudson & Manhattan Railroad Company as of December 31, 1947 and the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards, and included all procedures which we considered necessary in the circumstances.

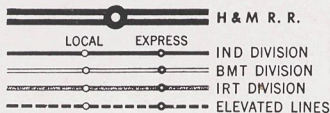
The accounts of the Company and the accompanying financial statements have been classified in accordance with the uniform system of accounts prescribed for electric railways by the Interstate Commerce Commission.

In our opinion, the accompanying general balance sheet and related statements of income and surplus present fairly the position of the Hudson & Manhattan Railroad Company at December 31, 1947, and the results of its operations for the year then ended, in conformity with principles of accounting prescribed by the Interstate Commerce Commission for electric railways applied on a basis consistent with that of the preceding year.

PUDER & PUDER

NEW YORK, FEBRUARY 24, 1948.

HUDSON & MANHATTAN RAILROAD & CONNECTING LINES



CONTINUATION OF JOINT SERVICE ROUTE
BETWEEN HUDSON TERMINAL, N. Y. C.
AND NEWARK, N. J.

PENNA. R. R.

JOURNAL SQUARE

Hamilton Park

Hamilton Park

GROVE & HENDERSON ST.

PENNA. R. R. STA.

EXCHANGE PLACE

HOBOKEN

D. L. & W. R. R. STA.

ERIE R. R. STA.

ERIE

HUDSON TERMINAL

CORTLANDT ST.

RECTOR ST.

BROAD ST.

BOWLING GREEN

WHITEHALL ST.

SOUTH FERRY

CHRISTOPHER ST.

HOUSTON ST.

SPRING ST.

CANAL ST.

CANAL ST. HOLLAND TUNNEL

FRANKLIN ST.

CHAMBERS ST.

PARK PL.

HUDSON TERM.

CITY HALL

W. 4TH ST.

8TH ST.

9TH ST.

14TH ST.

18TH ST.

23RD ST.

34TH ST.

42ND ST.

TIMES SQUARE

GRAND CENTRAL STATION

SHUTTLE

42ND ST.

5TH AV.

34TH ST.

33RD ST.

23RD ST.

19TH ST.

14TH ST.

9TH ST.

1ST AV.

ASTOR PL.

BLEECKER ST.

HOUSTON ST. 2ND AV.

BOWERY

CHATHAM SQ.

CANAL ST.

WORTH ST.

CITY HALL

CHAMBERS ST.

FRANKLIN ST.

FULTON ST.

WALL ST.

HANOVER SQ.

B'WAY & NASSAU

B'WAY & LAFAYETTE

PRINCE ST.

SPRING ST.

B'WAY CANAL ST.

CANAL ST.

SPRING ST.

BROADWAY

WASHINGTON SQUARE

HOUSTON ST.

SPRING ST.

B'WAY & LAFAYETTE

PRINCE ST.

SPRING ST.

B'WAY CANAL ST.

CANAL ST.

SPRING ST.

BROADWAY

WASHINGTON SQUARE

HOUSTON ST.

SPRING ST.

B'WAY & LAFAYETTE

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1948 2 4 1948

Harry S. Goode,
Financial Director



1948 ANNUAL REPORT

BOARD OF DIRECTORS*

WILLIAM T. ROSSELL, <i>Chairman</i>	HENRY E. PEELE, <i>President</i>
J. CRAWFORD COMPTON	DAVID S. FISCHMAN
JOSEPH J. CUMMINS	JOHN S. KROESE
PAUL DE GATEGNO	JACK MARQUESE
WILLIAM J. EGAN	CHARLES PASSANNANTE

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DAVID S. FISCHMAN, <i>Chairman of the Executive Committee</i>	

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J. CRAWFORD COMPTON - - - - Executive Vice President	LUELLA L. NEFF - - - Assistant Secretary
JOHN R. GROVE - - - - Vice President in Charge of Operations	WESLEY S. TWIDDY - - - - Treasurer
EDMUND M. BLAKE - General Superintendent	WILLIAM F. FRANKLIN - Assistant Treasurer
WILLIAM A. DAVIS - - - - Superintendent of Buildings	JOHN J. FRITSCH - - - - Comptroller
FERDINAND F. WINBERG - Purchasing Agent	FRANK U. MASTERSON Assistant Comptroller

General Counsel

FULTON, WALTER & HALLEY, 30 Rockefeller Plaza, New York 20, N. Y.

Registrar of Capital Stock

GUARANTY TRUST COMPANY OF NEW YORK, 140 Broadway, New York 7, N. Y.

Transfer Agent

LAWYERS TRUST COMPANY, 111 Broadway, New York 6, N. Y.

*As of March 1, 1949.

HUDSON & MANHATTAN RAILROAD COMPANY

30 CHURCH STREET

NEW YORK 7, N. Y.



March 11, 1949

TO THE STOCKHOLDERS:

The Board of Directors takes pleasure in presenting for your consideration your Company's 1948 Annual Report.

Hudson & Manhattan Railroad Company conducts two separate and dissimilar business enterprises. One is the daily transporting of 200,000 passengers by rapid transit between points in Newark, Jersey City, Hoboken and New York City. The other is the management and operation of two 22-story office buildings occupying adjacent blocks in the heart of the downtown business district of New York. Apart from the tax-free competition of vehicular bridges and tunnels, perhaps the two major obstacles to the success of your Company over the span of many years have been the inefficiency of railroad operations and the insufficiency of the revenue from the Hudson Terminal Buildings. These two problems have been of primary concern to the Board of Directors, which, without neglecting other Company matters, has during 1948 directed its principal attention and effort to their solution.

In order to give your Company new vigor, the Board has infused the organization with new, aggressive and capable men, at the same time recognizing by promotion such employees of long service as have demonstrated courage and ability. With a staff of able and determined officers and officials your Company's future looks brighter than it has for some time.

A more detailed account of the condition of the Company and the progress it has made appears in the following pages.

The Railroad

On the back cover of this report is a map of the full extent of the rail services of the Hudson Tubes. The entire trackage is only 21.48 miles. Nevertheless this little railroad, connecting three adjoining cities (plus the joint service to a fourth) has most of the complexities and problems of a major line. What other railroads have four underwater tunnels each approximately a mile in length? As a connecting link between two states, your Company is subject to regulatory bodies of both plus the Interstate Commerce Commission. Being a commuter line means that the greatest part of the traffic occurs in one great surge toward New York City in the morning and another returning at night. And since the road carries no freight, the passenger traffic—the “red-ink department” of most railroads—must bear the entire cost of operations. The carrying of passengers only also means that safety must at all times be the Company’s foremost consideration as it is that of the various authorities. All of this adds up to the fact that operating the Hudson Tubes is not as simple a matter as it may appear.

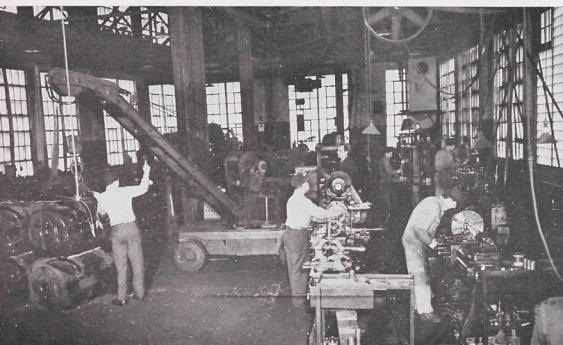
With its full responsibility to the public in mind at all times, the Company has during recent months made good progress in increasing the efficiency and economy of rail operations. In all, the aggregate of savings effected during the past year and anticipated for the near future is about \$800,000 per annum. Among those already achieved, which will become evident in the 1949 monthly financial reports, are the following from

reductions in force, reduction of overtime and Sunday work and improvements in methods:

<i>Class</i>	<i>Annual Rate of Savings Effected</i>
Station Agents.....	\$ 52,000
Gate-men and Ticket Examiners....	49,000
Platform Men.....	39,000
Information Clerk.....	3,000
Power Rail Men.....	7,000
Electricians (Way and Structures)...	16,000
Car Shop Forces.....	76,000
Signal Department Force.....	20,000
Track Forces.....	28,000
Porters.....	49,000
Total.....	\$339,000

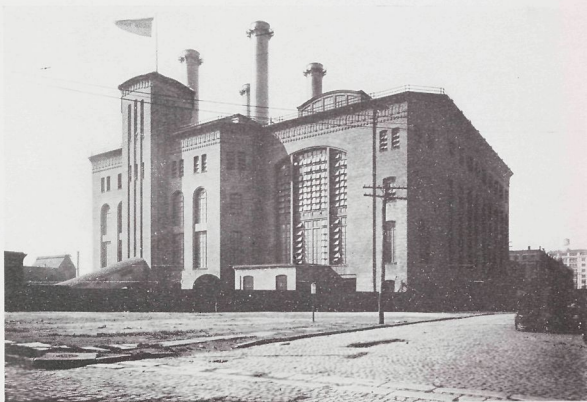
There are two entrances approximately two blocks apart to the station of the Company at Grove and Henderson Streets, Jersey City. The Henderson Street entrance is little used except during certain times of the day, and the Company hopes to secure permission from the Board of Public Utility Commissioners of New Jersey to close this entrance between 10 P.M. and 6 A.M. weekdays and all day Sundays and holidays. If permission is granted, a yearly saving of over \$4,000 will be made. The relocation of turnstiles and the agents’ booth on the street level at Exchange Place will save another \$7,000 per year. Automatic fare control units are on hand for installation on the northbound side of the 14th, 19th and 23rd Street Stations, and the Company anticipates an annual payroll saving therefrom of nearly \$30,000.

However, much of the good work done by the Company in effecting savings has been nullified by wage increases. Although these increases were limited to the pattern set through-



The purchase of a motor-crane has improved efficiency at the Henderson Street car-repair shops.

This building houses the air-compressors, transformers and other equipment that constitute the Company's Jersey City sub-station.



out the rail industry, wages to rail employees in 1948 exceeded 1947 by \$418,738, or 12%. Charges by the Consolidated Edison Company for supplying the Company with electric power for both the railroad and buildings increased approximately \$50,000 in 1948 as compared with 1947.

It was expected that by this time the interlocking plants at Hudson Terminal and Exchange Place would be replaced by a single plant at Hudson Terminal which

Improvements in Plant and Methods

could be operated by only one tower man. Although definite progress has been made, the installation of the consolidated interlocking plant has not yet been completed due to delayed deliveries of necessary machines and parts. The new system will speed up the operation and embodies safety features not used in the present system.

During the last six months, the institution of improved and modern methods in the maintenance of your Company's car equipment has substantially increased the margin of extra cars in condition for service. Auxiliary parts, such as compressors, motors, door engines, and electrical

and air brake materials are repaired in advance of the shopping of cars, thereby reducing the shopping time for repairs to a minimum.

When a car is sent to the repair shop, it is no longer returned to service until all the defects are corrected and measures preventive of breakdown are taken. As a result, the breakdowns in service have not only been fewer than heretofore, but it has been possible to increase the interval between inspections from 1,200 miles to 1,500 miles of service.

It used to take a force of eleven men to paint one of the Company's cars in four days; with improved methods, the present force of seven painters does the job in about two days.

The raising of low joints, the renewal and tamping of ties, the straightening of track and other steps have been taken to reduce jarring and to make a ride in a Hudson Tube train more comfortable. For better appearance and protection against deterioration the repainting of the stations and metal parts in the tunnels is in progress.

The Company contemplates the institution of new train schedules in the near future, which it is hoped will improve the service to the public and at the same time reduce expenses by perhaps



This shelter at the Journal Square Station was erected in response to public demand.

\$150,000 net. Major mechanical difficulties in the project for multiple car door control have been surmounted, and the installation of the equipment on the Company's rolling stock should begin very soon, with a resultant saving measurable in hundreds of thousands of dollars.

The Journal Square, Jersey City, station of the Hudson Tubes is in a deep excavation through rock, and particularly in winter months strong winds used to cause much discomfort to persons waiting for trains. In response to popular demand the Company has erected on the east-bound platform a large wood-and-glass shelter, and the public reaction has been most gratifying.

During the four day period February 10-13, 1949, an outlaw strike withdrew from service most of the Company's station agents and gatemen.

Not long ago this would have meant the complete end to all Company revenue for the period of the strike. However, on June 6, 1948 the Company completed its installation of 100 turnstiles at a total cost of \$81,497. This allowed the collection of fares to continue in the absence of gatemen and change agents; and revenue during the four days

before the strike was broken and the men returned to work amounted to \$41,294. Thus in the stretch of four days the turnstiles returned to the Company over 50% of the total installation cost.

The total number of passengers carried by the railroad during the year 1948 was 66,286,830, a decrease of 1,350,020 passengers (or 2%) from the 1947 total of 67,636,850. This decrease, particularly evident in the late months of the year is, we believe, attributable to the use of ferries and other means of transportation during the mild fall and winter of 1948. All classes of traffic declined except the intrastate traffic in New York and New Jersey, which increased by 404,690 (13%) to 3,434,970; this increase is ascribed to the diversion to the Tubes resulting from increases in the fares of competing transit facilities.

Despite the decrease in the total number of passengers for the year, passenger revenues increased \$43,367.67 over the 1947 figure, the major portion of the increase being due to the 20% increase in the one-way and round-trip joint service fares granted The Pennsylvania



Two sources of future revenue at Hudson Terminal; the uncompleted IND Subway foot-passageway and a recently-installed advertising clock.

Railroad Company by the Interstate Commerce Commission on July 19, 1948.

The current basic fares of Hudson & Manhattan Railroad Company are three in number, namely: 10¢ between any New York station and any station in Hoboken or Jersey City (called the local interstate fare); 5¢ between stations in Hoboken and Jersey City or between stations in New York City (called the local intrastate fare); and 31¢ for joint Pennsylvania Railroad-Hudson Tubes service between Newark and stations on the Hudson & Manhattan Railroad (called the joint-service fare). During 1948 the Company made efforts to bring about an increase in its revenue from each of the three classes of fares.

As respects the 10¢ local interstate fare, the Company filed petition with the Interstate Commerce Commission on December 23, 1948 asking for an increase to 15¢. On February 7, 1949 the Commission ordered that the Company's petition be assigned for hearing at a time and place not yet designated.

As respects the 5¢ intrastate fare, the Company has commenced but has not yet completed

plans for petitioning the Board of Public Utility Commissioners of the State of New Jersey, the Public Service Commission of New York and the Interstate Commerce Commission for an increase to 10¢.

The existing division of revenues from the joint service operation is on the basis of 60% to The Pennsylvania Railroad Company and 40% to Hudson & Manhattan Railroad Company. In fare decisions prior to 1945 the Interstate Commerce Commission had repeatedly suggested that the Hudson & Manhattan seek a substantial portion of its needed increase in revenue through increasing its proportion of the fares on the interline traffic with the Pennsylvania. Accordingly, in 1945 the Company filed its complaint with the Commission asking just such an increase in divisions. After a full hearing in 1947 the Commission's examiner recommended an increase of 2¢ in the apportionment to the Company of the fares paid by passengers using the joint service between the Newark station of the Pennsylvania and the Company's lines east of Journal Square in Jersey City. No change was recommended on the Company's share of fares charged for traffic interchanged with the Pennsylvania at

Exchange Place. Nevertheless, on July 7, 1948, the Commission, with two members dissenting, rejected the examiner's report and refused to change the existing divisions. It held that the increased share recommended for the Company by the examiner would result in a return to the Pennsylvania on its investment in the joint service "lower than the circumstances warrant", that the benefits to the Pennsylvania from its use of the Company's facilities are "largely, if not entirely, offset by the benefits flowing to the Company from the same operations", and that

it would not assume the financial need of the Company to be any greater than that of the Pennsylvania. On September 15, 1948 the Company petitioned for reconsideration of the Commission's decision and this petition was denied without any written opinion on January 3, 1949. Counsel for the Company are reviewing the entire record of the case with a view to filing a further petition for relief. Consideration is also being given to a possible petition for an increase in the joint service fares themselves as distinct from the Company's division thereof.

Real Estate

Leases representative of about 26.9% of the entire rent roll of the Hudson Terminal Buildings, their extensions, and certain miscellaneous store properties owned by the Company expired in 1948. By negotiation and arbitration in accordance with local laws permitting rent increases, the rentals from the renewals of such leases have been increased at the annual rate of \$231,000, or 36%. In addition, new rentable areas have been found or developed which heretofore had brought no rental income to the Company, the aggregate annual rental from which amounts to \$24,000. The rent roll on an annual basis, therefore, was increased by \$255,000 during the calendar year; it has continued to increase by another \$84,228 since January 1, 1949. The management continues to seek means for achieving further substantial increases.

Recent months have shown a slight lessening in the demand for office space, not only in our

buildings but in other downtown office buildings. Nevertheless, at this writing the Hudson Terminal Buildings are 99.6% rented, only 3,222 square feet of area being available for rent.

Under prior management during the depression of the '30's and through the time of World War II the Company's realty was poorly managed and brought far less rental than it should have. The institution of rent controls during the War made the correction of this situation a difficult and slow process. However, all of the Company's tenants are now paying at least the 15% emergency rental increase permitted by the New York State Rent Control laws, and the Company has availed itself of provisions in the law permitting increases over and above the 15% by agreement or by arbitration. The following schedule will illustrate the success of the Company's recent endeavors to increase revenues and net income from the Terminal Buildings:

<i>Year</i>	<i>Gross Revenue</i>	<i>Percentage Increase Over Year 1939</i>	<i>Net Income</i>	<i>Percentage Increase Over Year 1939</i>
1939.....	\$1,600,921.63	—	\$377,367.03	—
1940.....	1,608,596.75	.5%	349,616.89	— 7.4%
1941.....	1,711,143.15	6.9	413,015.51	9.4
1942.....	1,837,558.62	14.8	517,955.88	37.3
1943.....	1,862,796.42	16.4	454,118.60	20.3
1944.....	1,958,176.08	22.3	425,211.10	12.7
1945.....	2,059,169.49	28.6	546,081.91	44.7
1946.....	2,171,097.80	35.6	549,461.73	45.6
1947.....	2,278,852.19	42.3	644,109.27	70.7
1948.....	2,409,574.13	50.5	723,914.39	91.8

On or about March 15, 1949 the Company will open to the public an underground passageway connecting the IND 6th Avenue-8th Avenue subways with Hudson Terminal concourse. The "World's Most Accessible Office Buildings" will then be more accessible than ever. The main expense of this project is being borne by New York City; the only cost to the Company (about \$5,000) is for construction as far as the curb line of the street above.

Some of the leases covering space on Hudson Terminal Concourse provide that the rentals will increase automatically as soon as the passageway connection to the INdependent Subway is completed. Because of this, and since most of the Concourse tenants' leases contain percentage clauses, it is anticipated that the revenue from the Concourse will increase by \$20,000 a year when the passageway opens.

The program for the rejuvenation of Hudson Terminal Concourse, as well as other station properties, largely at tenant's expense, has proceeded as projected. Many store premises have been completely modernized, and it is expected that others will follow suit before the end of the year.

On January 12, 1949 the Public Service Commission of the State of New York denied the Company's application for the removal of practically all of the present exit facilities from the Hudson Terminal Concourse to Dey Street, stating, however, that consideration would be given were the Company to apply for a reduction of such facilities by one-half. The Company

has accordingly prepared plans for submission to the Commission involving the elimination of two of the four exceedingly wide stairways that lead toward Dey Street from the Concourse. A rental of \$26,500 is anticipated from the space now occupied by these two stairways.

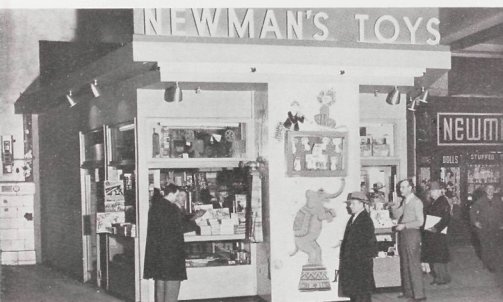
The Company is effecting its policy of full utilization of all possible areas suitable for renting. Recent surveys have uncovered nine new areas which are expected to yield about \$90,000 per annum in increased revenue. For example, the foot passageway connecting the IRT 7th Avenue subway and Hudson Terminal Concourse is admittedly long, dark and uninviting, with a curious bend at the eastern end. The Company is progressing plans to straighten the passageway and to create sufficient space on the south side for four or five retail stores. The straightening of the passageway will create a valuable rectangular space on the north side for rental purposes. The aggregate increase in return should be about \$30,000 per annum.

For many years prior to 1948 the offices of the Company were scattered on the first, third and fifth floors of the 30 Church Street building and its extension building. This arrangement proved to be both inconvenient and inefficient, particularly whenever it became necessary for inter-departmental communication. Nine such scattered Company spaces have now been consolidated with existing spaces so that at present all Company offices other than the Executive Offices are located together on the first floor of the extension building. Additional space on

The Real Estate Department has fostered new, modern stores—

—at Hudson Terminal

—and at the 33rd Street Station



that floor has also been found for the full installation of IBM electric accounting machines elsewhere referred to herein. Not only has increased efficiency been the result of the consolidation, but also an additional rentable area of about 6,000 square feet has been made available, from which the Company expects to realize approximately \$22,000 per annum. Leases covering 4,190 square feet of this additional area have already been rented at an annual rate of \$16,128.

The Hudson Terminal Buildings and associated equipment have been maintained in excellent condition to insure their safety, modernization and value. It was necessary to replace certain portions of the roofs of the buildings, and at present the entire facia of both the 30 and 50 Church Street buildings are being pointed up and repaired.

Elimination of the summer uniform for elevator operators in the Hudson Terminal Buildings has resulted in a saving of \$2,200 per annum.

On February 11, 1949, the Company put into

effect a reduction of 21 in the force of building maintenance employees, the estimated annual saving being in excess of \$70,000. Prior to that time, and since January 1, 1948, eight other positions were discontinued, at a saving of over \$25,000 per annum. The total saving in building maintenance forces alone, therefore, since January 1, 1948 well exceeds \$95,000 per annum.

While the Hudson Terminal Buildings rentals in 1948 exceeded those of 1947 by \$166,097.72, this increase was offset by the following:

A reduction in miscellaneous revenues.....	\$35,375.71
An increase in operating expenses.....	19,459.47
An increase in real estate taxes....	31,457.35
	<hr/> \$86,292.60

The major portion of the decrease in miscellaneous revenues is due to a reduction in the amount of work performed for tenants, while the increase in operating expenses is mainly attributable to increased elevator operators' wages and costs of cleaning services.

Labor

Early in 1947 the Company established a program for the reduction in the number of employees to more reasonable levels, care being expended to see that no essential services were neglected and that the safety of and service to the public remained the paramount consideration. With these limiting factors in mind, the Company is pleased to submit the following schedule showing the progress of this program:

<i>Date</i>	<i>Number of Employees of the Company and Its Subsidiaries</i>
January 31, 1947.....	1,529
January 31, 1948.....	1,464
January 31, 1949.....	1,342

Since January 31, 1949 the Company has successfully reduced its total force by an additional 49. Thus, in a period of two years and one month the total number of employees has diminished by 236, or over 15%. If not offset in great part by wage increases, the savings

would approximate \$700,000 annually. However, the Company is pleased to note that in January, 1949 for the first time the monthly aggregate actual compensation paid to employees was less than the comparable figure for one year ago.

Since January 1, 1948 employees of the Company have gone on strike on two occasions because of the Company's program for reductions in force, even though the specific right therefor is part of the contract. Fortunately, neither strike lasted very long or succeeded in its announced goal. The first, on December 31, 1948, inconvenienced many commuters returning home for their New Year's Eve celebrations, and was condemned by the national head of the striking union as "unauthorized", "in violation of the Railway Labor Act" and "harmful to organized labor generally". Service was discontinued for a period of four hours all told. The second strike lasted four days (February



*Coin Counting Operations
in the Coin Room at
Hudson Terminal.*

10-13, 1949); however, service continued at near-normal levels throughout this strike and the net loss to the Company was negligible. The Company now looks forward to firm but more peaceful labor relations for the years ahead.

Since September 1948 collective bargaining and rules agreements have been completed with the representatives of a majority of the Company's employees, such agreements and wage

increases following closely the pattern of the industry.

Mutual trust and cooperation—so lacking in labor relations in the past—have been restored to a great degree; and it is felt that the Management has made long strides toward its goal of restoring confidence and respect for its policies on the part of the employees and their representatives.

Legal Matters

In August, 1947, an action was brought against the Company on behalf of its Adjustment Income Bondholders, alleging that substantial sums of money had been diverted by the Company from moneys properly payable as interest to the bondholders, and demanding that these sums, claimed to amount to several millions of dollars, be distributed to the bondholders.

**The
Callahan
Suit**

The Company, contending that there was no merit in the action, filed its answer on December 3, 1947, and demanded that the complaint be dismissed.

The plaintiffs, in the interim, moved for the appointment of an operating trustee of all of the Company's properties and assets, which application was opposed on behalf of the Company. When this motion came on to be heard before Mr. Justice Null in the Supreme Court,

New York County, it was suggested that the parties explore the possibilities of an amicable settlement.

Thereupon, negotiations ensued between counsel for the Company and for the plaintiffs, in the course of which it was indicated that the bondholders would be content with a relatively nominal adjustment. The Company, recognizing that litigation would unquestionably prove burdensome and costly and would entail the expenditure of considerable time and effort by the officers and directors which might be more profitably utilized in the management of the business, agreed to make an interest payment to the bondholders in the amount of $1\frac{3}{4}\%$, of which $\frac{1}{2}$ of 1% had been authorized for payment on April 1, 1948. Accordingly, a stipulation of settlement was entered into, dated May 12, 1948, and submitted to the Court for its approval.

Thereafter, a Referee was appointed by the Court to inquire into the adequacy of the settlement, and after lengthy hearings, recommended that the settlement be approved. On January 7, 1949, an order was made by Mr. Justice Null confirming the Referee's report and directing that a judgment be entered in accordance with

the stipulation of settlement. On February 3, 1949, a notice of appeal from this order was filed by the attorney for a group of bondholders.

On January 21, 1949, the Guaranty Trust Company of New York, Trustee for the Adjustment Income Bondholders, moved for a resettlement of the order in respect to the payment by the Company of the fees and disbursements of the Referee and of the counsel for the plaintiffs. This application is presently pending before the Court.

New York City Utility Taxes, on which the City of New York claimed that there was due in excess of \$115,000 of taxes and interest for the period January 1, 1943 to December 31, 1946, were settled for the sum of \$46,626.94.

Negotiations were also concluded with the City of New York in connection with Sales, Compensating Use and Personal Property Taxes for the period December 10, 1934 to December 31, 1942 whereby the City abandoned its claim of approximately \$19,000 allegedly due thereon and refunded the sum of \$2,314.08 deposited under protest.

Miscellany

The current market price for a \$1,000 Adjustment Income Bond of the Company is about \$230. The repurchase and retirement of such a bond reduces the Company's debt not only by the face amount of \$1,000, but also by accrued arrearages of interest amounting to \$385; furthermore, from the date of repurchase onward the Company's interest expenses are reduced at the rate of \$50 per annum. Likewise, the market value of a \$1,000 First Lien & Refunding Bond of the Company is about \$630. The purchase and retirement of one \$1,000 First Lien & Refunding Mortgage Bond, in addition to decreasing the Company's indebtedness by \$1,000 decreases the interest expenses at the rate of \$50 per annum; since the interest on such a bond if outstanding must

be paid on schedule, a repurchase reduces the Company's cash outlay by \$50 per annum. In view of the evident advantage to the Company and with support from the Referee's report in the Callahan case, the Board of Directors resumed its bond-purchase program in December, 1948, and is pleased to report the acquisition of the following since that time:

<i>Kind of Bond</i>	<i>Face Amount</i>	<i>Cost</i>
First Lien & Ref. Bonds . . .	\$406,000	\$260,026.25
Adj. Inc. 5% Mtg. Bonds . . .	905,000	236,383.75

These 1948 and 1949 purchases to date have, in summary, reduced the face amount of the Company's outstanding debt by \$1,311,000 and eliminated accrued interest on Adjustment Income Bonds amounting to \$348,425; they will

reduce the Company's fixed interest charges by \$65,550 annually.

Over the span of years, the re-acquisition and retirement of bonds has reduced the face amount of the outstanding indebtedness in the form of Adjustment Income Bonds by \$12,253,000 from \$33,102,000 to \$20,849,000, and of First Lien & Refunding Bonds by \$8,862,929.04 from \$37,534,633.66 to \$28,671,704.62, resulting in a reduction in annual interest charges amounting to \$1,055,796.45. Accumulated arrearages of interest at December 31, 1948, on Adjustment Income Bonds amount to \$8,026,865, or 38½%.

Elsewhere herein there appears a picture of the coin room at Hudson Terminal in operation. During the year 1948 the sum of \$6,262,367.79 was handled in this room, a great deal of it in the form of coins.

For the first time in the history of the Company the cremation of paid and cancelled interest coupons was undertaken. The coupons were checked and listed in numerical order in the Treasurer's office by utilizing every odd moment so that the work could be done without additional expense to the Company. In this way 580,255 coupons were delivered to the Guaranty Trust Company, Trustee of the Adjustment Income Bonds, and cremated after the usual check by that bank. Similarly 579,371 First Lien & Refunding Bond coupons were delivered to and cremated by the Central Hanover Bank & Trust Company. 481,070 coupons from the First Mortgage 4½% Bonds have been delivered to the Guaranty Trust Company but have not yet been cremated. This work will be continued until all coupons are disposed of.

Novel means of increasing the Company's revenues by the installation of advertising clocks, drink-vending machines and movie machines either have been effected or are being carefully considered. Advertising in the cars and on the station platforms netted \$154,500 and vending machines netted \$12,360 in 1948.

In the year 1948, the Company spent about \$5,000 in advertising the convenience, speed and thrift of using the Hudson Tubes. The great bulk of this advertising was placed in newspapers in commuter areas in northern New Jersey.

The Company has continued and extended its program of reciprocal advertising with radio stations. In return for advertising space in the cars and on the platforms, Radio Station WOR, New York, and Radio Station WNJR, Newark, have been broadcasting transcribed spot-announcements which have cost the Company only the expense for the preparation of the transcription. The WOR broadcasts are of fifteen second duration, twice a day, six days a week; and WNJR broadcasts a one minute transcription daily except Sundays.

In order to keep the Company viewpoint before its passengers, the Railroad has displayed on the car windows successive monthly or bi-monthly editions of "The Hudson Tubes Dispatch," samples of which are reproduced herein. The intent of these messages has been to bridge the gap between Management and the traveling public and to establish a friendly, informal relationship.

The Management has made a determined and successful effort to keep its side of the story in the public press; and there was satisfaction in knowing that in the two minor strikes of recent date public sympathy was almost universally in favor of the Company.

On August 25, 1948, the Board of Directors established a Coordinating Committee of six top Company executives and entrusted to it a roving authority to inquire into any matter of Company concern, and to this end to enlist needed assistance in the securing of information from any Company employee or department without limitation. The Coordinating Committee as such has no administrative function; after due consideration it submits its recommendations to the Board of Directors for execution. The Committee's success is most measurable in terms of savings and increased

Public Relations



Coordinating Committee

The
FASTEST RIDE
from the
JERSEY SIDE

The HUDSON TUBES DISPATCH

For
SPEED
SAFETY
and
ECONOMY

JANUARY-FEBRUARY 1949

LET IT SNOW, 
LET IT SNOW, 
LET IT SNOW!

Just THINK how much better are your chances of arriving home on time when you use the HUDSON TUBES underground service in wintry weather!

The
FASTEST RIDE
from the
JERSEY SIDE

The HUDSON TUBES DISPATCH

For
SPEED
SAFETY
and
ECONOMY

OCTOBER-NOVEMBER 1948

Didja Know—
There's Still a **5¢** Fare
in New York City?

It's on the HUDSON TUBES Sixth Ave. Line, from Gimbel's Basement down to Christopher Street.

(You can also ride the Tubes from Journal Square to Hoboken for only a nickel)

The
FASTEST RIDE
from the
JERSEY SIDE

The HUDSON TUBES DISPATCH

For
SPEED
SAFETY
and
ECONOMY

DECEMBER 1948

Here's Wishing You a
Very Merry Christmas
and a
Happy New Year

**Hudson & Manhattan
Railroad Company**

revenues amounting to tens of thousands of dollars in the short space of half a year; however, the projection of the thoughts of the member executives beyond the limits of their own departments and into consideration of the problems of the Company as a unit has tended to develop necessary team-spirit and to break down interdepartmental friction.

After careful consideration, the Company contracted with the International Business Machines Corporation for the installation of machine accounting to replace the existing antiquated system of payroll preparation. The installation of all of the necessary machines for a completely modernized and mechanized cen-

tralized payroll system was completed late in February, and conversion from the old to the new system is being accomplished as rapidly as possible, it being expected that some of the sizable savings from this change will be reflected in the 1949 operating expenses. The functions of the machine installation are flexible and are by

no means limited to payroll work; and appreciable savings can be expected for later years. But entirely apart from the savings that they may determine is the fact that the Company will be supplied with the neat, quick accounting reports that are needed by any up-to-date business organization in this era of fast change.

In presenting such a long and detailed letter to stockholders it has been our purpose to set forth clearly how complex the operations of such a company as yours can be and how much forthright, determined action is necessary if a program is to be executed successfully. We have endeavored to include all major items of interest to the stockholders, but sincerely solicit your inquiries on any matters which you feel require further explanation.

The Board is deeply appreciative of the loyal cooperation of able and conscientious officers and employees who have contributed so much to make possible the upturn in your Company's affairs.

By Order of the Board of Directors,

HENRY E. PEELLE,
President.

WALTER L. DRILL,
Secretary.

IBM Machines installed in the Company's newly formed Central Accounting Bureau.

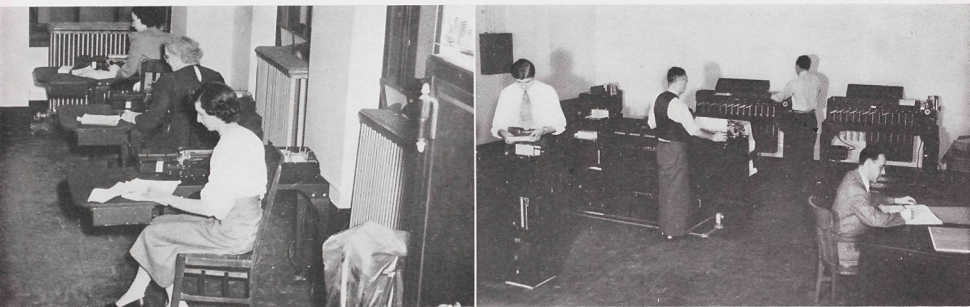


EXHIBIT 1
GENERAL BALANCE SHEET

ASSETS	1948	1947	Increase Decrease
Investments:			
Road and equipment.....	\$110,402,370.61	\$110,276,264.83	\$ 126,105.78
Less reserve for depreciation, road and equipment.....	\$ 7,776,249.57	\$ 7,286,815.99	\$ 489,433.58
Less reserve for retirements, non-depreciable property.....	295,534.93	290,518.48	5,016.45
Total.....	\$ 8,071,784.50	\$ 7,577,334.47	\$ 494,450.03
Investment in transportation property less recorded depreciation and anticipated retirements.....	\$102,330,586.11	\$102,698,930.36	\$ 368,344.25
Deposits in lieu of mortgaged property sold.....	\$ 174,171.79	\$ 174,893.80	\$ 722.01
Maintenance funds.....	\$ 276,453.03	\$ 285,303.76	\$ 8,850.73
Miscellaneous physical property.....	\$ 13,628,654.09	\$ 13,625,324.09	\$ 3,330.00
Less reserve for depreciation, miscellaneous physical property.....	8,320,404.09	8,123,961.10	196,442.99
Miscellaneous physical property less recorded depreciation..	\$ 5,308,250.00	\$ 5,501,362.99	\$ 193,112.99
Investments in affiliated companies:			
Stocks.....	\$ 2,000.00		
Advances.....	\$41,807.25		
Other investments:			
U. S. Government bonds.....	—	251,499.36	251,499.36
Total investments.....	\$108,133,268.18	\$108,955,797.52	\$ 822,529.34
Current Assets:			
Cash.....	\$ 607,158.34	\$ 976,054.31	\$ 368,895.97
Special deposits.....	127,454.66	111,803.41	15,651.25
Miscellaneous accounts receivable.....	188,230.30	170,644.37	17,585.93
Accrued accounts receivable.....	22,004.16	10,107.09	11,897.07
Material and supplies.....	690,720.05	572,864.41	117,855.64
Interest, dividends, and rents receivable.....	7,648.90	6,534.51	1,114.39
Other current assets.....	45,450.20	44,599.00	851.20
Total current assets.....	\$ 1,688,666.61	\$ 1,892,607.10	\$ 203,940.49
Deferred Assets:			
Insurance and other funds.....	\$ 16,020,819.97	\$ 14,607,349.00	\$1,413,470.97
Less Hudson & Manhattan Railroad Company bonds reacquired, par value, contra.....	10,377,000.00	9,407,000.00	970,000.00
Other deferred assets.....	\$ 5,643,819.97	\$ 5,200,349.00	\$ 443,470.97
Total deferred assets.....	\$ 5,662,320.09	\$ 5,221,349.12	\$ 440,970.97
Unadjusted Debits:			
Rents and insurance premiums paid in advance.....	\$ 42,403.71	\$ 26,092.36	\$ 16,311.35
Other unadjusted debits.....	16,114.67	14,417.18	1,697.49
Total unadjusted debits.....	\$ 58,518.38	\$ 40,509.54	\$ 18,008.84
Securities Issued or Assumed, Contra:			
Unpledged.....	\$ 1,029.04		
Pledged.....	66,204,000.00		
TOTAL.....	\$115,542,773.26	\$116,110,263.28	\$ 567,490.02

See note to Capital Stock and Funded Debt (Exhibit 5).

EXHIBIT 1

GENERAL BALANCE SHEET

LIABILITIES	1948	1947	Increase Decrease
Capital Stock, Exhibit 5:			
Common stock.....	\$ 39,995,385.00	\$ 39,995,385.00	\$ —
Preferred stock.....	5,242,938.75	5,242,938.75	—
Stock liability for conversion.....	11,626.25	11,626.25	—
Total capital stock.....	\$ 45,249,950.00	\$ 45,249,950.00	\$ —
Funded Debt, Exhibit 5:			
First Mortgage 4½% bonds.....	\$ 67,146,000.00	\$ 67,146,000.00	\$ —
Less pledged as collateral under the First Lien and Refunding Mortgage and the Adjustment Income Mortgage, per contra.....	66,204,000.00	66,204,000.00	—
First Mortgage 4½% bonds outstanding.....	\$ 942,000.00	\$ 942,000.00	\$ —
First Lien and Refunding Mortgage 5% bonds.....	\$ 33,806,733.66	\$ 33,806,733.66	\$ —
Less held by Hudson & Manhattan Railroad Company.....	4,824,029.04	4,759,029.04	65,000.00
First Lien and Refunding Mortgage 5% bonds outstanding.....	\$ 28,982,704.62	\$ 29,047,704.62	\$ 65,000.00
Adjustment Income Mortgage 5% bonds.....	\$ 26,403,000.00	\$ 26,403,000.00	\$ —
Less held by Hudson & Manhattan Railroad Company.....	5,554,000.00	4,649,000.00	905,000.00
Adjustment Income Mortgage 5% bonds outstanding.....	\$ 20,849,000.00	\$ 21,754,000.00	\$905,000.00
Total funded debt.....	\$ 50,773,704.62	\$ 51,743,704.62	\$970,000.00
Current Liabilities:			
Audited accounts and wages payable.....	\$ 283,656.12	\$ 196,056.62	\$ 87,599.50
Miscellaneous accounts payable.....	202,334.06	219,719.75	17,385.69
Accrued accounts payable.....	257,164.98	300,886.97	43,721.99
Matured interest, dividends, and rents unpaid.....	159,839.31	144,188.06	15,651.25
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, ½% declared February 19, 1948, payable April 1, 1948.....	—	108,770.00	108,770.00
Accrued interest, dividends, and rents payable.....	622,853.28	624,199.45	1,346.17
Taxes accrued.....	118,692.12	290,876.42	172,184.30
Other current liabilities.....	2,484.33	2,484.33	—
Total current liabilities.....	\$ 1,647,024.20	\$ 1,887,181.60	\$240,157.40
Deferred Liabilities:			
Interest on Adjustment Income Mortgage Bonds outstanding in hands of the public, 38½% deferred December 31, 1948, 33½% deferred December 31, 1947.....	\$ 8,026,865.00	\$ 7,287,590.00	\$739,275.00
Other deferred liabilities.....	10,249.20	12,145.54	1,896.34
Total deferred liabilities.....	\$ 8,037,114.20	\$ 7,299,735.54	\$737,378.66
Unadjusted Credits:			
Insurance reserves.....	\$ 1,061,014.46	\$ 1,061,014.46	\$ —
Operating reserves.....	15,807.00	16,425.00	618.00
Maintenance reserves.....	179,564.82	285,357.88	105,793.06
Other unadjusted credits.....	27,260.44	26,528.47	731.97
Total unadjusted credits.....	\$ 1,283,646.72	\$ 1,389,325.81	\$105,679.09
Surplus:			
Earned surplus appropriated, Exhibit 4.....	\$ 4,951,205.98	\$ 4,951,205.98	\$ —
Earned surplus unappropriated, Exhibit 4.....	3,600,127.54	3,589,159.73	10,967.81
Surplus balance.....	\$ 8,551,333.52	\$ 8,540,365.71	\$ 10,967.81
TOTAL.....	\$115,542,773.26	\$116,110,263.28	\$567,490.02

See note to Capital Stock and Funded Debt (Exhibit 5).

EXHIBIT 2

INCOME ACCOUNT

	1948	1947	Increase Decrease
RAILWAY OPERATING REVENUES:			
Passenger fares.....	\$6,371,501.71	\$6,328,134.04	\$ 43,367.67
Advertising.....	154,500.00	184,700.00	30,200.00
Other station and car privileges.....	261,669.81	249,920.09	11,749.72
Rent of buildings and other property.....	102,000.00	102,000.00	
Miscellaneous transportation revenue.....	40,658.01	37,936.10	2,721.91
Other miscellaneous revenue.....	7,707.28	7,694.23	13.05
TOTAL RAILWAY OPERATING REVENUES.....	\$6,938,036.81	\$6,910,384.46	\$ 27,652.35
RAILWAY OPERATING EXPENSES:			
Maintenance of way and structures:			
Labor.....	\$ 502,981.32	\$ 476,409.69	\$ 26,571.63
Supplies and expenses.....	143,965.03	160,978.86	17,013.83
Depreciation.....	332,126.91	336,525.48	4,398.57
TOTAL.....	\$ 979,073.26	\$ 973,914.03	\$ 5,159.23
Maintenance of equipment:			
Labor.....	\$ 338,612.45	\$ 256,085.28	\$ 82,527.17
Supplies and expenses.....	152,291.51	135,130.85	17,160.66
Depreciation.....	143,984.21	146,870.91	2,886.70
TOTAL.....	\$ 634,888.17	\$ 538,087.04	\$ 96,801.13
Power:			
Labor.....	\$ 81,326.89	\$ 71,681.71	\$ 9,645.18
Supplies and expenses.....	449,595.21	464,899.43	15,304.22
Depreciation.....	46,273.17	46,273.17	—
TOTAL.....	\$ 577,195.27	\$ 582,854.31	\$ 5,659.04
Conducting transportation:			
Labor.....	\$2,704,751.19	\$2,424,137.24	\$280,613.95
Supplies and expenses.....	80,259.08	70,130.81	10,128.27
TOTAL.....	\$2,785,010.27	\$2,494,268.05	\$290,742.22
Traffic expenses:			
Labor.....	\$ 171.67	\$ —	\$ 171.67
Supplies and expenses.....	5,123.17	3,186.94	1,936.23
TOTAL.....	\$ 5,294.84	\$ 3,186.94	\$ 2,107.90
General expenses:			
Labor.....	\$ 237,090.88	\$ 217,882.27	\$ 19,208.61
Supplies and expenses.....	345,492.74	357,110.49	11,617.75
TOTAL.....	\$ 582,583.62	\$ 574,992.76	\$ 7,590.86
Summary:			
Labor.....	\$3,864,934.40	\$3,446,196.19	\$418,738.21
Supplies and expenses.....	1,176,726.74	1,191,437.38	14,710.64
Depreciation.....	522,384.29	529,669.56	7,285.27
TOTAL RAILWAY OPERATING EXPENSES.....	\$5,564,045.43	\$5,167,303.13	\$396,742.30
NET REVENUE FROM RAILWAY OPERATIONS.....	\$1,373,991.38	\$1,743,081.33	\$369,089.95
TAXES APPLICABLE TO RAILWAY OPERATIONS.....	991,368.13	1,063,829.49	72,461.36
RAILWAY OPERATING INCOME—Carried Forward.....	\$ 382,623.25	\$ 679,251.84	\$296,628.59

EXHIBIT 2—(Continued)

INCOME ACCOUNT

	1948	1947	Increase Decrease
RAILWAY OPERATING INCOME—Brought forward.....	\$ 382,623.25	\$ 679,251.84	\$296,628.59
NET INCOME OTHER THAN RAILWAY OPERATIONS—Exhibit 3...	800,197.13	721,535.21	78,661.92
OPERATING INCOME.....	\$1,182,820.38	\$1,400,787.05	\$217,966.67
NON-OPERATING INCOME.....	117,063.49	116,030.49	1,033.00
DELAYED INCOME CREDITS.....	297,574.95	198,103.98	99,470.97
GROSS INCOME.....	\$1,597,458.82	\$1,714,921.52	\$117,462.70
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:			
Rent for tracks, yards and terminals.....	\$ 52,747.01	\$ 54,393.60	\$ 1,646.59
Miscellaneous deductions.....	32,712.69	27,096.69	5,616.00
TOTAL INCOME DEDUCTIONS OTHER THAN BOND INTEREST	\$ 85,459.70	\$ 81,490.29	\$ 3,969.41
NET INCOME APPLICABLE TO BOND INTEREST.....	\$1,511,999.12	\$1,633,431.23	\$121,432.11
INTEREST ON FUNDED DEBT:			
First Mortgage 4½% Bonds.....	\$ 42,390.00	\$ 42,390.00	\$ —
First Lien and Refunding Mortgage 5% Bonds.....	1,452,365.84	1,452,380.00	14.16
Adjustment Income Mortgage 5% Bonds.....	1,042,450.00	1,087,700.00	45,250.00
TOTAL INTEREST ON FUNDED DEBT.....	\$2,537,205.84	\$2,582,470.00	\$ 45,264.16
DEFICIT FOR THE YEAR, Exhibit 4.....	\$1,025,206.72	\$ 949,038.77	\$ 76,167.95

EXHIBIT 3

NET INCOME OTHER THAN RAILWAY OPERATIONS

	1948	1947	Increase Decrease
RENTALS AND MISCELLANEOUS INCOME FROM HUDSON TERMINAL BUILDINGS.....	\$2,409,574.13	\$2,278,852.19	\$130,721.94
RENTALS AND MISCELLANEOUS INCOME FROM OTHER REAL ESTATE.....	131,762.20	128,426.31	3,335.89
GROSS INCOME FROM REAL ESTATE.....	\$2,541,336.33	\$2,407,278.50	\$134,057.83
OPERATING EXPENSES:			
Labor.....	\$ 552,650.73	\$ 554,104.80	\$ 1,454.07
Supplies and expenses.....	612,336.54	587,993.35	24,343.19
Depreciation.....	197,492.99	197,479.84	13.15
TOTAL.....	\$1,362,480.26	\$1,339,577.99	\$ 22,902.27
OPERATING INCOME.....	\$1,178,856.07	\$1,067,700.51	\$111,155.56
TAXES APPLICABLE TO REAL ESTATE OPERATIONS.....	378,658.94	346,165.30	32,493.64
NET INCOME OTHER THAN RAILWAY OPERATIONS.....	\$ 800,197.13	\$ 721,535.21	\$ 78,661.92

EXHIBIT 4

SURPLUS ACCOUNTS

Earned Surplus, Appropriated:

Credit balance, January 1, 1948:	
Funded debt retired through surplus.....	\$4,924,382.73
Insurance and casualty reserves prior to September 1, 1942.....	341,014.46
Reserve for doubtful accounts.....	26,823.25
Total.....	<u>\$5,292,220.44</u>

Changes for the year ended December 31, 1948; transferred to Insurance Reserves.....	<u>341,014.46</u>
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CREDIT BALANCE, DECEMBER 31, 1948, Exhibit 1.....	<u><u>\$4,951,205.98</u></u>
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Earned Surplus, Unappropriated:

Credit balance, January 1, 1948.....	\$3,589,159.73
Additions:	
Adjustment to bring to par First Lien and Refunding Mortgage 5% Bonds and Adjustment Income Mortgage 5% Bonds reacquired during the year.....	692,647.50
Cancellation of deferred interest on Adjustment Income Mortgage 5% Bonds reacquired during the year.....	303,175.00
Profit on sale of U. S. Government Securities net.....	39,013.20
Miscellaneous credits.....	1,338.83
Total.....	<u>\$4,625,334.26</u>

Deductions:

Deficit for the year ended December 31, 1948, per income account, Exhibit 2.....	<u>1,025,206.72</u>
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CREDIT BALANCE, DECEMBER 31, 1948, Exhibit 1.....	<u><u>3,600,127.54</u></u>
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EXHIBIT 5

CAPITAL STOCK AND FUNDED DEBT, DECEMBER 31, 1948

CLASS OF STOCK	No. of Shares Authorized	Issued and Outstanding	
		Number	Amount
Common, par value \$100.00 per share (1 and 2).....	500,000	399,943.6375	\$39,995,385.00
Preferred, par value \$100.00 per share, convertible to Common at option of holder, at \$110.00 (1).....	100,000	52,421.75	5,242,938.75
Stock liability for conversion.....	—	—	11,626.25
TOTAL CAPITAL STOCK, Exhibit 1.....			<u>\$45,249,950.00</u>

(1) In addition to the respective shares of Common and Preferred stock outstanding, the following old scrip has not been converted into full shares:

Common stock.....	10.2125 shares
Preferred stock.....	7.6375 shares

(2) 56,292 shares of authorized and unissued Common stock are held in reserve for conversion of 52,500 shares of Preferred stock and \$942,000.00 First Mortgage 4½% bonds.

FUNDED DEBT

CLASS OF BONDS	Denom- ination	DATE	When Due	INTEREST		Amount of Bonds Authorized	Amount Outstanding	TRUSTEES
				Rate	Payable			
First Mortgage (1).....	\$1,000	Feb. 1, 1907	Feb. 1, 1957	4½%	Feb. 1, Aug. 1	\$ 942,000.00	\$ 942,000.00	Guaranty Trust Com- pany of New York
First Lien and Refunding Mortgage, Series A (2).. { 1,000 500 100		Feb. 1, 1913	Feb. 1, 1957	5%	Feb. 1, Aug. 1	65,000,000.00	33,806,733.66	Central Hanover Bank and Trust Company
Adjustment Income Mort- gage (3)..... { 1,000 500		Feb. 1, 1913	Feb. 1, 1957	5%	Apr. 1, Oct. 1	33,574,000.00	26,403,000.00	Guaranty Trust Com- pany of New York
						<u>\$99,516,000.00</u>	<u>\$61,151,733.66</u>	

(1) The balance of the issued First Mortgage 4½% bonds, in the amount of \$66,204,000.00, is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.

The First Mortgage bonds outstanding, redeemable at par at the option of the Company, are convertible to Common stock at the option of the holder at \$110.00.

(2) The First Lien and Refunding Mortgage bonds reacquired prior to December 31, 1948 amounted to \$8,551,929.04, of which \$4,823,000.00 are held in the Property Amortization Fund and \$1,029.04 in Securities Issued or Assumed, Unpledged, and \$3,727,900.00 were cancelled and retired as follows:

\$ 13,400.00 par value in June, 1916	\$ 458,000.00 par value in Dec., 1944
1,701,500.00 par value in Aug., 1936	257,000.00 par value in Dec., 1945
1,143,000.00 par value in Dec., 1943	155,000.00 par value in Dec., 1946

The First Lien and Refunding Mortgage bonds outstanding are redeemable at 105% of face value at the option of the Company.

(3) The Adjustment Income Mortgage bonds reacquired prior to December 31, 1948 amounted to \$12,253,000.00, of which \$5,554,000.00 are held in the Property Amortization Fund and \$6,699,000.00 were cancelled and retired as follows:

\$ 742,000.00 par value in Dec., 1942	\$ 885,000.00 par value in Dec., 1945
2,617,000.00 par value in Dec., 1943	1,297,000.00 par value in Dec., 1946
1,158,000.00 par value in Dec., 1944	

The Adjustment Income Mortgage bonds outstanding are redeemable at par at the option of the Company.

AMICK AND SPICER

ACCOUNTANTS AND AUDITORS

50 BROADWAY
NEW YORK 4, N. Y.

ACCOUNTANTS' CERTIFICATE

BOARD OF DIRECTORS,
HUDSON & MANHATTAN RAILROAD COMPANY,
30 Church Street,
New York, New York.

GENTLEMEN:

We have examined the general balance sheet of the Hudson & Manhattan Railroad Company as of December 31, 1948 and the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards, and included all procedures which we considered necessary in the circumstances.

The accounts of the Company and the accompanying financial statements have been classified in accordance with the Uniform System of Accounts prescribed for Electric Railways by the Interstate Commerce Commission.

In our opinion, the accompanying general balance sheet and related statements of income and surplus present fairly the position of the Hudson & Manhattan Railroad Company at December 31, 1948, and the results of its operations for the year then ended, in conformity with principles of accounting prescribed by the Interstate Commerce Commission for electric railways applied on a basis consistent with that of the preceding year.

AMICK & SPICER

FEBRUARY 28, 1949.

Hudson &
Manhattan
Railroad
Company

1949

Annual Report to Stockholders

board of directors

HENRY E. PELLE
Chairman of the Board
JOHN W. CAMPBELL
*Vice Chairman of the Board
and Chairman of the Executive Committee*
JAMES J. CRISONA
JOSEPH J. CUMMINS
WALTER L. DRILL

MORRIS COHON
President
JOHN S. KROESE
GEORGE P. LEWIS
JACK MARQUESE
CHARLES PASSANNANTE

general officers

MORRIS COHON
President
WALTER L. DRILL
Executive Vice President and Secretary
JOHN R. GROVE
Vice President in Charge of Operations
JOHN T. McCANN
Director of Labor Relations
FERDINAND F. WINBERG
Purchasing Agent
LUELLA L. NEFF
Assistant Secretary
EDMUND M. BLAKE
General Superintendent

C. LLOYD EGNER
Executive Planning
JOHN J. FRITSCH
Comptroller
FRANK U. MASTERSON
Assistant Comptroller
WESLEY S. TWIDDY
Treasurer
WILLIAM F. FRANKLIN
Assistant Treasurer
WILLIAM A. DAVIS
Superintendent of Buildings

general counsel

CRISONA BROTHERS,
42 Broadway, New York 4, N. Y.

real estate management agents

SPEAR & Co., INC.,
30 Church Street, New York City

registrar of capital stock

GUARANTY TRUST COMPANY OF NEW YORK,
140 Broadway, New York 7, N. Y.

transfer agent

LAWYERS TRUST COMPANY,
111 Broadway, New York 6, N. Y.



Fairchild Aerial Surveys, Inc.

This picture of teeming lower Manhattan shows the strategic location of the Company's downtown terminal and the massive Hudson Terminal Office Buildings.

to the stockholders:

THE Hudson Tubes were completed early in the century and since then the population of Northern New Jersey has increased to nearly two and one-half times and the annual traffic crossing the Hudson River has risen by 36 million. However, while the population and the traffic increased, our annual passenger traffic has diminished by 43 million since 1925. This paradox explains the long decline in the Company's earnings, and at the same time points clearly to the problem we face in attempting to restore the Hudson & Manhattan Railroad Company to lasting prosperity. The only true solution is a program designed to win back lost passengers.

BEFORE even beginning consideration of the problem we must first answer the questions as to whether or not our facilities have outlived their usefulness, or are no longer economically important, or have been replaced by better and more modern conveniences. If we are in a declining industry or are faced with social and economic changes which are adverse, the problem could be insoluble. The answer to our inquiry, however, is most favorable. We own the only rapid-transit facility connecting New York and New Jersey. Furthermore, automobile traffic has reached the saturation point, and increasing the number of buses will do little good. Driving by car from New Jersey to New York is getting more and more difficult and expensive every day. Our rapid-transit facility is the solution—and the only solution—to the commuter problem, and it is squarely up to us to

provide adequate and acceptable service.

YOUR Management has adopted a program to provide this service and to take every advantage of the opportunity that our means allow. As described in the report which follows, the program includes new and dynamic measures to attract passengers, the rehabilitation and modernization of our facilities, the streamlining of operations for maximum efficiency, and persevering efforts to win from rate-making bodies a recognition of the Company's rights to fares commensurate with the value of our service.

THE Hudson Tubes were originally planned to serve New Jersey-to-New York commuters living within walking distance of our stations or who came by steam train to terminals adjoining our stations. The automobile was no factor and buses nonexistent. With the advent of good roads, suburbanites moved farther out and depended more and more on automobiles and buses. The public credit was used to build tax-free tunnels and bridges which accelerated the growth of vehicular traffic until it has reached 145 million a year. Other factors contributing to the decline of Hudson Tubes patronage were the loss of Saturday traffic through the almost universal adoption of the five-day work week, and the drop in off-peak shopper travel to Manhattan resulting from the growth of neighborhood shopping centers.

MANY of the 145 million trans-Hudson bus and auto passengers are now finding

those means of travel unsatisfactory because of the parking difficulties and traffic delays in crowded New York City and its approaches. These passengers could be persuaded to use the speedier and more convenient Hudson Tubes for part of their journey, except for the fact that tangled traffic in the neighborhood of our stations has made the transfer from bus or car to our trains even less tolerable. Accordingly, the Company is embarking on an extensive project to provide convenient parking space for thousands of cars and to make available ample facilities for bus unloading. It is expected that these measures will ultimately attract millions of new riders to the Tubes.

IN ORDER to re-attract lost passengers, we must rehabilitate the railroad. Past managements, confronting inflationary costs, constant traffic declines and the inadequacy of regulated fares, approached this melancholy problem in terms of drastic curtailment of expenses. Inevitably this meant reduced maintenance and the abandonment of efforts to keep abreast of modern developments. In turn this resulted in making the Tubes even less attractive to passengers.

Experience has shown that a program based solely on retrenchment has entered the area of diminished returns. We are now convinced that the great potential ahead can only be realized through the modernization and rehabilitation program we have adopted.

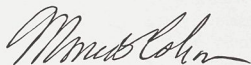
THE Company's important real estate holdings are undergoing a face-lifting to add improved appearance and better service to their sound construction. These

improvements will enable us to maintain our position in the competition for tenants against the increasing number of modern office buildings recently built and under construction.

THE interests of the Company's stockholders and bondholders dictate that we must accomplish this program for increasing earnings with the utmost attention to prudent handling of expenditures. The Management is attempting to counterbalance rising costs and shorter working hours with modern business methods and more efficient operations. Leading engineering consultants are assisting us to implement our program.

WE MUST keep in mind, and keep remembering, that our facilities are indispensable. Then the long, tough job of rehabilitation that we face will not loom so formidable. This Company needs a two or three-year period of uninterrupted hard work by Management, dedicated to the proposition of providing acceptable rapid-transit facilities to a public which desperately needs them. With the loyalty of our staff and the fullest cooperation of our able officers and officials, your Company looks forward to reaching its goal in a manner that will combine a high record of public service with the ample return on investment which the long patience of the Company's stockholders so well deserves.

By order of the Board of Directors,



Morris Cohon
President

the Hudson Tubes today and...



The Hudson Terminal Concourse as it is today.

THE difference between the railroad car pictured at the left and the car shown on the opposite page is an indication of the Company's program to get its rolling stock into first-class up-to-date condition. Henry Dreyfuss, perhaps the most prominent contemporary industrial designer in the country, is aiding in the improvement of the Company's facilities. One of Mr. Dreyfuss' major contributions has been to redesign our present cars to make them more pleasant, comfortable and attractive to passengers. Modernized Hudson & Manhattan cars should be indistinguishable from the latest rapid transit cars built today; but the expense will be a fraction of the cost of new equipment.

THE installation of multiple door controls will make possible a major saving in labor cost. To date, these controls have been placed in operation on 50 cars, including the entire Hoboken-to-33rd-Street service. All remaining local service (black) cars will have these controls by the end of 1950, and negotiations are under way with the Pennsylvania Railroad for such installations in the joint service* (red) cars.

*One hundred and five "red" cars are jointly operated by your Company and the Pennsylvania Railroad in service over the tracks of both Companies between Newark and Hudson Terminal, New York.

tomorrow

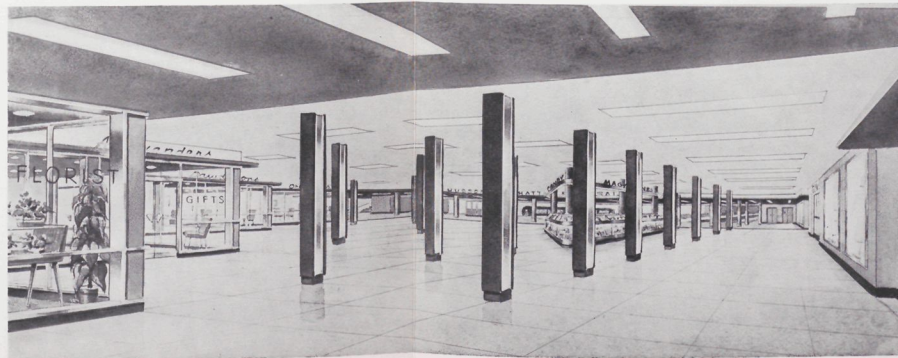
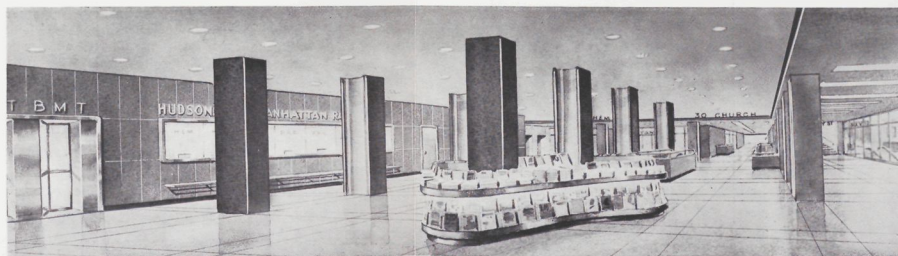
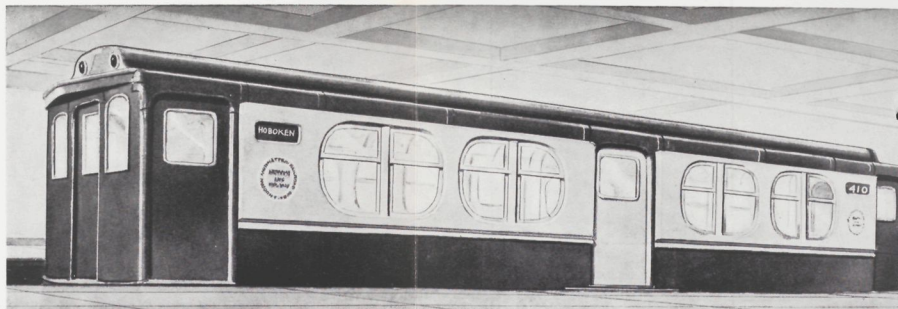
PART of the reconstruction program calls for the replacement of all of the trucks under the cars to achieve greater passenger comfort and faster schedules, along with substantial savings in maintenance cost.

STUDY of the best methods to accomplish the program for car improvement soon revealed that the work would hopelessly overtax the Company's existing car repair facilities at Henderson Street, Jersey City. Although these facilities are extensive—a full city block containing car storage yards, inspection pits, a long inspection building, a paint shop, a car repair shop which can enclose four cars at one time, machine shops and a storehouse—the burden of current routine repair work alone is taxing their capacity. It would be impossible to superimpose the additional work of the reconstruction program.

The picture on the next page shows the car repair shop "bursting at the seams" on a typical day. Especially since some of the cars are forty years old, requiring frequent repairs to be kept serviceable, the present car repair shop has

on the flap: Views of the modernized cars. Colors are bright. There are many new conveniences and comforts for passengers.

beneath the flap: The exterior of the modernized cars is shown at top. Center, suggested design by Henry Dreyfuss for a modernization of the Hudson Terminal Concourse. Bottom, suggested design for the 33rd Street Concourse.



Hudson & Manhattan Railroad Company 1949 Annual Report



been utilized to the fullest extent. Because it is not feasible to extend the shop beyond the limits of the Henderson Street city block, the alternative was to dispose of those cars that were in the worst condition to make room for additional repair facilities. Accordingly, 29 cars of 1908 vintage have been selected and are being dismantled. The unusable parts are being sold for scrap metal.

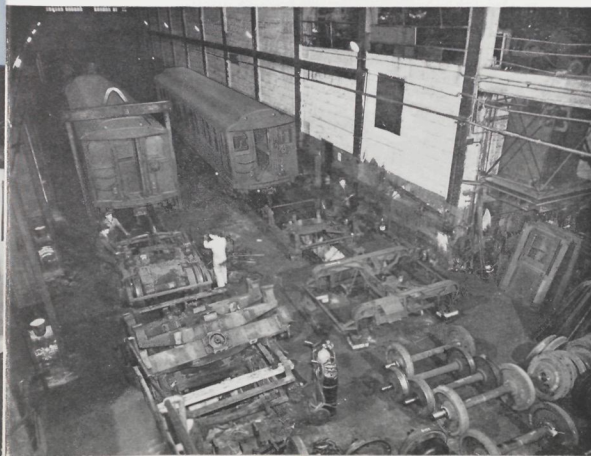
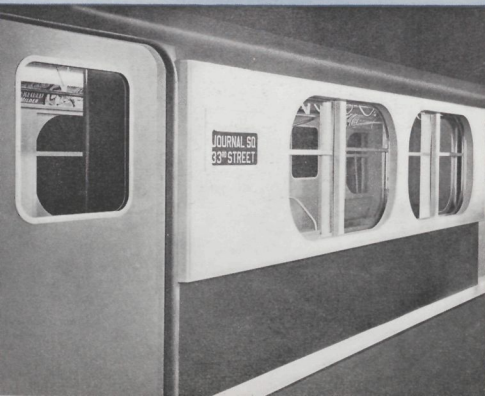
The Company has engaged architects and a prominent contracting firm to construct an additional building to make it possible to work on eight more cars simultaneously. This additional capacity is slated for completion around Oct., 1950.

AFTER the current modernization project is finished in several years, the new facilities will permit regular, periodic major overhaul of the Company's cars. It is expected that such an overhaul program will largely eliminate the recurrent, annoying delays that have made patrons

lose patience, miss connecting trains and often turn to other means of travel. The Management realizes that this is a long-term project, but feels that it is essential if the Company is to regain its lost passenger traffic. Meanwhile, the Company is making every possible effort to improve the riding quality and comfort of its cars, and to reduce the number of delays. Car illumination has been more than doubled by the replacement of the old 36-watt lamps with lights of 56 watts.

modernization of stations

As part of the effort to make our service more appealing to passengers, the Company has begun the renovation of its stations. Approximately \$150,000 is being spent to renovate the Grove Street Station in Jersey City in accordance with plans by Henry Dreyfuss. Among the improvements are two escalators, a completely modernized street level entrance, col-



The present facilities of the car repair shop are used to capacity.

umns in stainless steel, and fluorescent lighting. These, together with modern food and refreshment services and news and candy stands of latest design, will make Grove Street one of the most up to date of suburban stations when the work is completed about April 1, 1950.

PLANS for other stations will be influenced by the experience gained at Grove Street. The Company contemplates a long-range conversion of the Hudson Terminal and 33rd Concourses into modern, spacious terminals in conformity with Dreyfuss's schematic drawings shown on page 5. This conversion will not only afford our riders improved service but will increase the Company's rental income.

As a measure of immediate benefit to its patrons, the Company is repainting all of its stations and has substantially improved their illumination.

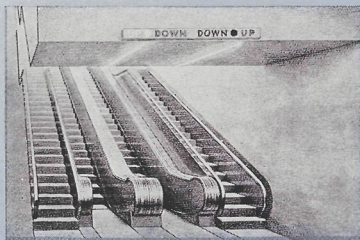
the white engineering report

In June, 1949, the Company engaged the J. G. White Engineering Corporation, prominent consulting engineers, to undertake a thorough investigation of the condition of the Company's road and equipment. Their report stated that the Company's properties are maintained "in 99.5% of good operating condition, ordinary wear and tear excepted." The J. G. White Engineering Corporation made a number of recommendations for improvements which are embraced in the Company's rehabilitation program.

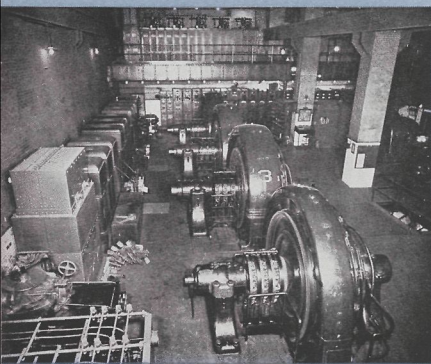
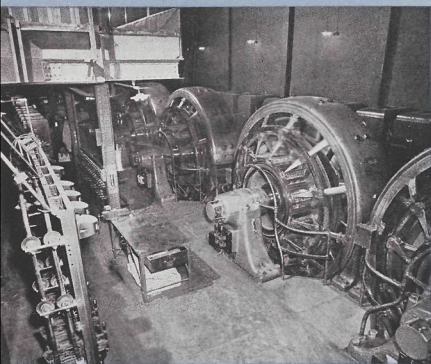
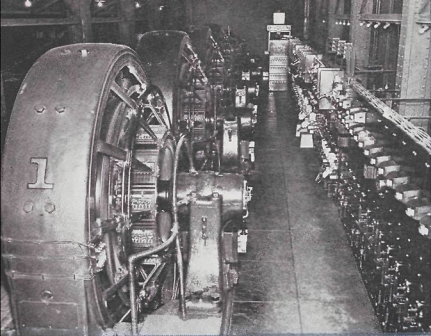
THE White report stated that in the past 20 years the only substantial improvement in rapid transit cars in the United States had been in additional length and roominess, both of which are precluded by the construction of the Hudson & Manhattan tunnels. That finding prompted the Board of Directors to decide to renovate the present cars instead of purchasing new cars at much greater cost.

THE White report pointed out that while the Company's present signal system was being maintained at a high level of efficiency through superhuman maintenance, and was inherently safe, most of the system had outlived its life expectancy and should be replaced at a cost of about \$650,000. Proposals received from the two major firms capable of carrying out such a replacement are under study at this time.

Installation of the interlocking plant at Hudson Terminal, which will control



The new escalators at Grove Street will eliminate a climb of about 40 steps for 20,000 daily commuters. New lighting, new paint, new spaciousness make the station more comfortable and attractive to passengers.



As part of the elaborate installation essential to the operation of 1,438 Hudson & Manhattan trains per day, these three substations convert electric power to the proper voltage.

the signals and all train movements between Hudson Terminal and Exchange Place, is nearing completion.

FIVE new compressors ordered from Gardner-Denver Company will be installed by the end of March. These compressors, costing about \$62,000, will replace three thirty-year old compressors on which maintenance costs at present are very high. The improvement will yield a saving to the Company estimated at \$16,000 a year.

DURING 1949, the Company's maintenance crew renewed $5\frac{1}{4}$ miles of running rail (about 25% of the entire trackage of the Railroad). It relaid about one mile of used rail, and renewed 4,000 ties in the tunnel system.

NEW labor-saving and replacement machinery has been purchased wherever the need was indicated. This has included a drill press, track oilers, and a 250-ton rail bender (the old one had been in service since 1908). Also, the Railroad now has a magniflux machine to indicate flaws in materials.

new schedules

On January 15, 1950, with the sanction of regulatory bodies, the Company instituted new train schedules over the entire system. For many years schedules were unworkable, frequently involving two trains being at the same place at the same time. The antiquated schedules caused operating delays at crossovers and at terminals, and necessitated cancellations of scheduled train runs, while the

Company paid for stand-by but unused operating labor.

THE new schedules have corrected many of the past operating difficulties, and have effected a substantial saving in expense. Achievement of these improvements necessitated the scheduling of fewer trains, but by increasing the number of cars per train we have actually added to rush-hour capacity.

passenger revenue

While annual traffic declined from 66,286,330 passengers in 1948 to 60,545,511 it is heartening to note that the rate of decline, which was 11½% in the first quarter of 1949, had tapered to 6% in the final quarter. Through Feb., 1950, the rate of loss was further reduced to 4.2%.

THE Company's petition to the Interstate Commerce Commission for an increase of the interstate local fare from ten cents to fifteen cents was heard before a Trial Examiner on July 19, 1949, and argued before the Commission on

October 5. On March 7, 1950, the Commission granted the full five-cent increase. Even with a substantial allowance for diversion of traffic to competing services the increase in passenger revenue is expected to approximate \$1,500,000 annually . . . a most welcome improvement to the Company's finances.

ON NOVEMBER 21, 1949, the Company petitioned the Public Service Commission of the State of New York and the Board of Public Utility Commissioners of the State of New Jersey to increase to ten cents its present five cent fare for intrastate travel. The subway fare in New York City has been raised to ten cents, and there appears to be no logical reason why our fare should not also be increased.

YOUR officers have started negotiations with the Pennsylvania Railroad to effect a mutually satisfactory settlement in respect to our repeated efforts to increase our share of the revenue from the joint Newark service.

The scale models of Hudson & Manhattan stations are consulted daily in carrying out the Company's modernization program.



labor

TWENTY collective bargaining agreements with twelve labor organizations were negotiated during 1949 and although the services of the National Mediation Board were required in several instances no strikes have occurred since the unsuccessful four-day strike ended February 13, 1949.

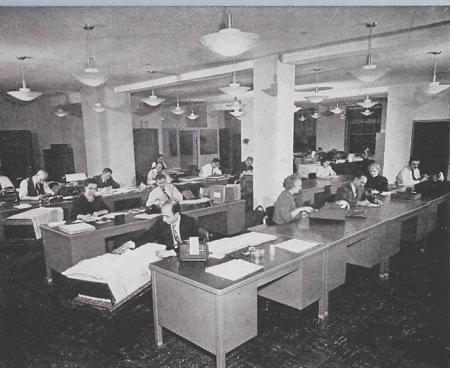
OF ALL the Company's successes in labor matters during 1949, one stands out as most important to the Company's future. This development concerns the establishment of multiple-door control operations in Hudson & Manhattan trains as a means of increasing operating efficiency and of producing substantial savings in operating expenses.

AFTER several years of effort, 1949 saw the surmounting of mechanical and elec-

trical obstacles to multiple-door control, but there remained the problem of union objections to any reduction in the number of trainmen. Two alternatives faced the Management. One was to stand on the contractual rights in the union agreements which permit us to reduce forces whenever the need for labor decreases. This course, irrespective of legal rights, would without question lead to a strike on the Railroad costing the Company hundreds of thousands of dollars and seriously inconveniencing the public.

The alternative approach was to make such immediate necessary concessions as would establish through negotiation an orderly procedure for reduction in force. This course would eliminate the strike threat and at the same time make pos-

Light, pleasant offices improve morale and attract competent employees. The IBM room is seen through the partition in the picture of the reception office on the right.



sible the eventual achievement of the Company's goal.

THE latter course was chosen, and negotiations were entered into with the Brotherhood of Railroad Trainmen. Conferences continued from February through October, 1949, culminating in a momentous meeting at which your President and Company officials, negotiating with international officers of the Brotherhood, successfully concluded an agreement providing for successive steps to achieve multiple-door control over the entire Railroad within approximately one year. At that time, the Company will have reduced its annual expenses by several hundred thousand dollars, yet will pay wages comparable to those of other Class I railroads.

TO INSTITUTE and carry out effective and uniform Company personnel policies, a Personnel Department was established in July, 1949 to select and engage all new employees and to effect transfers between departments for the best utilization of employee capabilities.

The Company has completely rebuilt its offices at 30 Church Street to promote efficiency and productivity among office employees. The new offices (illustrated on this page) are light and airy and provide the best conditions that competent management engineers were able to design. Nor have the railroad employees been overlooked. The Company has installed new shower, washroom and toilet facilities wherever the need has been indicated.

real estate

REALIZING its need for professional long-time experience and ability to get the greatest yield from its building rental and maintenance operations, your Management undertook in the spring of 1949 to consider the proposals and capabilities of several highly reputed real estate management firms. The Company finally selected Spear & Co., Inc., who manage,

among others, properties owned by Metropolitan Life Insurance Company, Guaranty Trust Company and Brooklyn Trust Company.

Under the personal active direction of Mr. M. R. Spear, this organization began managing and operating the Hudson Terminal Buildings and other rentable properties of the Company on July 1, 1949.

THE construction of many new office buildings in New York City, particularly in the uptown section, has tended to increase the bargaining power of tenants. It became apparent to the Company that improved tenant relations were a necessity if occupancy was to stay high and rents were to continue to rise. The management agents therefore gave immediate attention to tenant complaints and began to improve maintenance, appearance and service in the Hudson Terminal Buildings. Because of these measures, the Company has held all its substantial tenants and there has been a marked improvement in their attitude, with the re-

sult that we have been able to maintain practically 100% occupancy and to effect substantial increases in rentals upon the expiration of lease terms.

During 1949, expired leases represented rents totaling \$544,023 a year, or 22.5% of the entire rent roll of the Company's rentable properties. These spaces were re-rented, either by renewal of the lease or to other parties, for an increased annual rent of \$124,917, or at an average increase of 22.9%.

THE following table shows the progress made during the past ten years in improving the return from the Hudson Terminal Buildings:

Year	Gross Revenue	% Increase Over Year 1940	Net Income	% Increase Over Year 1940
1940	\$1,608,596.75	—	\$349,616.89	—
1941	1,711,143.15	6.4	413,015.51	18.1
1942	1,837,558.62	14.2	517,955.88	48.1
1943	1,862,796.42	15.8	454,118.60	29.9
1944	1,958,176.08	21.7	425,211.10	21.6
1945	2,059,169.49	28.0	546,081.91	56.2
1946	2,171,097.80	35.0	549,461.73	57.2
1947	2,278,852.19	41.7	644,109.27	84.2
1948	2,409,574.13	49.8	723,914.39	107.1
1949	2,534,491.02	57.6	820,307.16	134.6

finance

LAST year's Annual Report noted the installation of International Business Machines for the preparation of payrolls. The conversion from the old to the new system of payroll accounting has been accomplished and all payrolls and pay checks are being prepared on the International Business Machines. This was made possible by several changes in equipment, the most important of which was the acquisition of alphabetical machines late in the year. These enabled us to discontinue the dual method (combining the functions of an Addressograph and the International Business Machines) in preparing payrolls and pay checks.

Because of necessary duplications during the transition period, no measurable savings were attributable to machine accounting during 1949. However, the completion of the conversion has now contributed to a full reorganization and streamlining of the Finance Department and substantial economies are anticipated for 1950. We will take further advantage of the flexibility of the machines by using them for the accounting of materials and supplies.

PURSUANT to terms of settlement of the Callahan suit which was described in the 1948 Annual Report, interest in the amount of \$10.02 per \$1,000 bond was paid to Adjustment Income Bondholders on October 1, 1949. By reason of the re-

duction in the face amount of outstanding Adjustment Income Bonds resulting from bond purchases in 1949, a payment of \$2.50 per \$1,000 bond has been authorized for April 1, 1950 from the carry-over of surplus income of periods prior to 1949.

bond purchase program

With full realization of the cost of the program for the next three or four years, the Board of Directors decided that substantial sums were available for the purchase and retirement of bonds in the Company. Resulting purchases during the year reduced the face amount of the outstanding First Lien and Refunding Mortgage 5% Bonds by \$399,300, and of Adjustment Income Mortgage Bonds by \$4,035,000. The latter purchases eliminated arrearages of interest amounting to \$1,553,475.

Over a period of years, through purchasing and retiring its bonds, the Company has achieved a reduction of \$8,951,229.04 in the face amount of First Lien and Refunding Mortgage 5% Bonds (from \$37,534,633.66 to \$28,583,404.62) and a reduction of \$16,288,000 in the face amount of Adjustment Income Mortgage Bonds (from \$33,102,000 to \$16,814,000). Current interest expense has been reduced, through bond purchases, by \$1,261,961.45 annually.

Your attention is invited to Note No. 3 on page 18 setting forth a fundamental change in the accounting for interest in arrears on the Adjustment Income Bonds.

assets

December 31,
1949 1948
(Note 6)

Road, Equipment and Other Property (Note 1):

Road and equipment	\$110,630,643	\$110,402,370
Less—Reserve for depreciation and retirements	8,599,174	8,071,784
	<u>\$102,031,469</u>	<u>\$102,330,586</u>
Other property	\$ 13,764,445	\$ 13,628,654
Less—Reserve for depreciation	8,517,973	8,320,404
	<u>\$ 5,246,472</u>	<u>\$ 5,308,250</u>
TOTAL ROAD, EQUIPMENT AND OTHER PROPERTY	<u>\$107,277,941</u>	<u>\$107,638,836</u>

Current Assets:

Cash	\$ 271,986	\$ 607,158
Deposit with Trustee for payment of matured interest	158,884	127,455
Materials and supplies	744,329	690,720
Accounts receivable, accrued income and other current assets	295,487	263,334
	<u>\$ 1,470,686</u>	<u>\$ 1,688,667</u>

Other Assets:

Property amortization fund (Note 2):

Cash	\$ 704,334	\$ 961,461
U. S. Treasury Bonds (market value \$2,304,250)	2,262,137	3,490,578
New York City Corporate Stock (market value \$108,750)	99,374	99,353
Hudson & Manhattan Railroad Company 5% Mortgage Bonds, at cost—		
First Lien And Refunding (par value \$4,758,000)	2,341,596	2,382,565
Adjustment Income (par value \$4,649,000)	1,419,412	1,655,796
	<u>\$ 6,826,853</u>	<u>\$ 8,589,753</u>
Less—Company's 5% Mortgage Bonds par value of \$9,407,000 deducted from Funded Debt, per contra	3,761,008	4,038,361
	<u>\$ 3,065,845</u>	<u>\$ 4,551,392</u>
Insurance and casualty fund:		
Cash	\$ 70,406	\$ 90,406
U. S. Treasury Bonds (market value \$990,450)	967,698	968,839
	<u>\$ 1,038,104</u>	<u>\$ 1,059,245</u>
Maintenance of property fund:		
Cash	\$ 20,287	\$ 74,473
U. S. Treasury Bonds (market value \$154,350)	150,755	201,980
	<u>\$ 171,042</u>	<u>\$ 276,453</u>
Deposits:		
In lieu of mortgaged property sold	174,172	174,172
Other—Government securities (market value \$39,300)	33,176	33,183
Investments and advances—affiliated companies	43,807	43,807
Deferred receivables, prepayments and unadjusted debits	66,688	77,018
	<u>\$ 4,592,834</u>	<u>\$ 6,215,270</u>
TOTAL OTHER ASSETS	<u>\$113,341,461</u>	<u>\$115,542,773</u>

liabilities

December 31,
1949 1948
(Note 6)

Funded Debt—due February 1, 1957 (Note 2):

First Mortgage 4½% Bonds:

Issued (less purchased and cancelled \$2,000)	\$ 67,146,000	\$ 67,146,000
Less—Acquired through exchange and pledged	66,204,000	66,204,000
	<u>\$ 942,000</u>	<u>\$ 942,000</u>

First Lien And Refunding Mortgage 5% Bonds:

Issued (less purchased and cancelled \$4,192,200)	\$ 33,342,434	\$ 33,806,734
Less—Purchased and held	4,759,029	4,824,029
	<u>\$ 28,583,405</u>	<u>\$ 28,982,705</u>

Adjustment Income Mortgage 5% Bonds (Note 3):

Issued (less purchased and cancelled \$11,639,000)	\$ 21,463,000	\$ 26,403,000
Less—Purchased and held	4,649,000	5,554,000
	<u>\$ 16,814,000</u>	<u>\$ 20,849,000</u>

TOTAL FUNDED DEBT	<u>\$ 46,339,405</u>	<u>\$ 50,773,705</u>
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Current Liabilities:

Accounts and wages payable	\$ 538,034	\$ 745,640
Matured interest and unclaimed dividends payable	191,268	159,839
Accrued interest (Note 3)	656,578	622,853
Accrued taxes	148,528	118,692

TOTAL CURRENT LIABILITIES	<u>\$ 1,534,408</u>	<u>\$ 1,647,024</u>
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Deferred Liabilities:

Insurance reserves	\$ 1,041,014	\$ 1,061,014
Maintenance reserves	171,280	179,565
Other reserves, deferred liabilities and unadjusted credits	69,131	53,317

TOTAL DEFERRED LIABILITIES	<u>\$ 1,281,425</u>	<u>\$ 1,293,896</u>
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Capital Stock—par value \$100 per share (Note 4):

Common:

Authorized—500,000 shares		
Issued and outstanding—399,999.5 shares	\$ 39,999,950	\$ 39,999,950

Preferred:

Authorized—100,000 shares		
Issued and outstanding—52,500 shares	5,250,000	5,250,000

TOTAL CAPITAL STOCK	<u>\$ 45,249,950</u>	<u>\$ 45,249,950</u>
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Earned Surplus, per accompanying statement:

Appropriated for deferred interest on Adjustment Income Mortgage 5% Bonds (Note 3)	\$ 7,103,579	\$ 8,026,865
Unappropriated (Note 5)	11,832,694	8,551,333

TOTAL EARNED SURPLUS	<u>\$ 18,936,273</u>	<u>\$ 16,578,198</u>
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	<u>\$113,341,461</u>	<u>\$115,542,773</u>
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income account

	Year ended December 31,	
	1949	1948 (Note 6)
RAILWAY OPERATING REVENUES:		
Passenger fares	\$5,896,377	\$6,371,501
Miscellaneous	572,349	566,535
TOTAL RAILWAY OPERATING REVENUES	\$6,468,726	\$6,938,036
RAILWAY OPERATING EXPENSES (Note 1):		
Maintenance of way and structures	\$ 929,670	\$ 979,073
Maintenance of equipment	584,491	634,888
Power	652,626	577,195
Transportation	2,610,895	2,764,210
General	715,233	587,879
TOTAL RAILWAY OPERATING EXPENSES	\$5,492,915	\$5,543,245
NET REVENUE FROM RAILWAY OPERATIONS	\$ 975,811	\$1,394,791
TAXES APPLICABLE TO RAILWAY OPERATIONS	930,356	933,695
RAILWAY OPERATING INCOME	\$ 45,455	\$ 461,096
RENTALS AND MISCELLANEOUS INCOME from Hudson Terminal build- ings and other real estate	\$2,667,832	\$2,541,336
Deduct:		
Operating expenses (Note 1)	1,441,248	1,212,480
Taxes applicable to real estate operations	321,976	309,556
NET INCOME OTHER THAN RAILWAY OPERATIONS	\$ 904,608	\$1,019,300
INTEREST FROM INVESTMENTS	\$ 100,837	\$ 117,063
TOTAL INCOME	\$1,050,900	\$1,597,459
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:		
Rent for tracks, yards, terminals and miscellaneous deductions	84,631	85,460
INCOME BEFORE BOND INTEREST	\$ 966,269	\$1,511,999
INTEREST ON FUNDED DEBT:		
First Mortgage 4½% Bonds	\$ 42,390	\$ 42,390
First Lien And Refunding Mortgage 5% Bonds	1,431,080	1,452,366
Adjustment Income Mortgage 5% Bonds (Note 3)— Declared, 1949—1.252%; 1948—0	218,166	
TOTAL INTEREST ON FUNDED DEBT (Note 3)	\$1,691,636	\$1,494,756
NET PROFIT OR (LOSS) FOR THE YEAR, per accompanying earned surplus statement (Note 6)	(\$ 725,367)	\$ 17,243

earned surplus

EARNED SURPLUS—APPROPRIATED (Note 3):

For cumulative unpaid and undeclared interest in arrears at December 31, 1948 on Adjustment Income Mortgage 5% Bonds outstanding—38½% of \$20,849,000	\$ 8,026,865
Deduction:	
Transfer (net) to unappropriated surplus—	
Accumulated interest on bonds purchased during 1949—	
38½% of \$4,035,000	\$1,553,475
Less—Appropriation for undeclared interest in arrears, 3.748% (5% less 1.252% declared) on \$16,814,000 bonds outstanding at December 31, 1949	630,189
	<u>923,286</u>
Balance, December 31, 1949 (42.248% of \$16,814,000) per accompanying balance sheet	<u>\$ 7,103,579</u>

EARNED SURPLUS—UNAPPROPRIATED:

Balance, January 1, 1949:	
Classified as appropriated surplus—segregation no longer required	\$ 4,951,206
Classified as unappropriated surplus	<u>3,600,127</u>
RECLASSIFIED BALANCE	\$ 8,551,333
Additions:	
Discount (excess of par value over cost) on bonds purchased during 1949—	
First Lien And Refunding Mortgage 5% Bonds	\$ 143,211
Adjustment Income Mortgage 5% Bonds	<u>2,931,078</u>
	\$3,074,289
Accumulated interest at December 31, 1948 on Adjustment Income Mortgage 5% Bonds purchased during 1949 transferred from appropriated surplus—38½% of \$4,035,000 (Note 3)	<u>1,553,475</u>
	4,627,764
Profit on sale of U. S. Government securities	8,707
Miscellaneous credits	<u>446</u>
	\$13,188,250
Deductions:	
Loss for the year ending December 31, 1949, per accompanying income account	\$ 725,367
Appropriation for undeclared interest in arrears on Adjustment Income Mortgage 5% Bonds 3.748% (5% less 1.252% declared) on \$16,814,000 bonds outstanding at December 31, 1949 (Note 3)	<u>630,189</u>
	1,355,556
BALANCE, DECEMBER 31, 1949, per accompanying balance sheet (Note 5)	<u>\$11,832,694</u>

notes to financial statements

note 1 — properties:

Road and equipment at December 31, 1949 includes investments in perpetual franchises and other intangibles amounting to approximately \$48,850,000, also rights of way and other land amounting to approximately \$6,900,000. No amortization has been provided for these investments in conformity with the principles of accounting prescribed by the Interstate Commerce Commission.

The provision for depreciation of road and equipment exclusive of franchises, other intangibles, rights of way and other land mentioned above, which was charged to income amounted to \$527,390 in 1949 and \$527,447 in 1948, was based upon depreciation rates prescribed by the Interstate Commerce Commission. The provision for depreciation of other property, comprising the Hudson Terminal Buildings and other real estate, which was charged to income amounted to \$197,569 in 1949 and \$197,493 in 1948.

The reserve for depreciation and retirements applicable to road and equipment at December 31, 1949 includes \$300,557 for the anticipated retirement of certain property. The depreciation reserve amounting to \$8,298,617 at December 31, 1949 does not purport to measure the actual amount of the physical depreciation or obsolescence of the road and equipment.

note 2 — funded debt:

First Mortgage 4½% Bonds amounting to \$66,204,000 par value were acquired in exchange for \$33,102,000 par value of First Lien And Refunding Mortgage 5% Bonds and \$33,102,000 par value of Adjustment Income Mortgage 5% Bonds and are pledged as security for the two latter issues.

The outstanding First Mortgage 4½% Bonds are convertible, at the option of the holders, at

par into common stock at the rate of \$110 per share.

At December 31, 1949 and December 31, 1948 the Company held in its treasury \$1,029 par value of First Lien And Refunding Mortgage 5% Bond scrip. In addition thereto the assets segregated in the property amortization fund included, at December 31, 1949, \$4,758,000 par value First Lien And Refunding Mortgage 5% Bonds and \$4,649,000 par value Adjustment Income Mortgage 5% Bonds purchased at a cost of \$3,761,008, and at December 31, 1948, \$4,823,000 par value First Lien And Refunding Mortgage 5% Bonds and \$5,554,000 par value Adjustment Income Mortgage 5% Bonds purchased at a cost of \$4,038,361. The relative par value and cost of these bonds are deducted from the respective funded debt liabilities and property amortization fund assets in the accompanying balance sheet.

note 3 — interest on adjustment income mortgage 5% bonds:

The mortgage indenture of the Adjustment Income Mortgage 5% Bonds provides that interest on these bonds shall be at the rate of 5% and cumulative from January 1, 1920. Interest is due and payable only when and as declared by the Board of Directors out of available accumulated "surplus income" as determined semi-annually by the Board, or at maturity of the bonds (February 1, 1957) the company is obligated to pay interest at the rate of 5% per annum from January 1, 1920 to the extent that such interest shall not theretofore have been paid.

The cumulative unpaid and undeclared interest in arrears at December 31, 1949 amounted to 42.248% or \$7,103,579 and at December 31, 1948 amounted to 38½% or \$8,026,865 on the bonds outstanding at those dates.

The Board of Directors declared interest aggregating \$12.52 (1.252%) per \$1,000 par value of bonds outstanding amounting to \$218,166 to be due and payable for the year 1949. Of this amount \$176,131 was paid on October 1, 1949 and the balance, \$42,035, is payable on April 1, 1950 and is included in the current liability for accrued interest at December 31, 1949. The Board did not declare any interest to be due and payable for the year 1948.

Prior to 1949 the annual provision charged to the income account for interest on Adjustment Income Mortgage 5% Bonds outstanding at the year end was at the rate of 5% per annum and included unpaid and undeclared interest in arrears for the year, if any. The contra credit for the unpaid and undeclared interest was made to deferred liability for interest in arrears. Each year the amount of the accumulated deferred interest on the bonds purchased was restored directly to earned surplus as it was no longer required.

Commencing January 1, 1949, the above method of accounting for interest on the Adjustment Income Mortgage 5% Bonds was changed to provide for (1) treating the cumulative unpaid and undeclared interest as appropriated surplus for interest in arrears, (2) charging the income account with the amount of interest declared by the Board to be due and payable, (3) transferring directly from unappropriated surplus to appropriated surplus the amount of unpaid and undeclared interest, if any, for the year and (4) transferring directly from appropriated surplus to unappropriated surplus the accumulation of undeclared interest in arrears on the bonds purchased during the year which is no longer required.

note 4—capital stock and dividends:

Of the authorized common stock 56,292 unissued shares are held for conversion of 52,500 shares of preferred stock and \$942,000 par value of First Mortgage 4½% Bonds, at the options of the holders, at the rate of \$100 par value per share of common stock for \$110 par value of preferred stock or First Mortgage 4½% Bonds.

The issued and outstanding shares of common stock include scrip for fractional shares aggregating

10.2125 shares and 45.65 shares held for exchange of common stock of a predecessor company.

The preferred stock is entitled to dividends from yearly profits up to 5% per annum in preference to the common stock, and in the case of distribution of assets other than profits the preferred stock is entitled to preference over the common stock up to the par value thereof, but to no further share of any profits or assets. The preferred stock is noncumulative and is convertible into common stock on the basis outlined above.

The issued and outstanding shares of preferred stock include scrip for fractional shares aggregating 7.6375 shares and 70.6125 shares held for exchange of preferred stock of a predecessor company.

The mortgage indenture of the Adjustment Income Mortgage 5% Bonds provides that the Company shall not declare or pay dividends on any shares of its capital stock at any time when the cumulative interest in arrears on these bonds is either unpaid or undeclared.

note 5—earned surplus:

The earned surplus arises principally from discount representing the excess of the par value over cost of the Company's First Lien And Refunding Mortgage 5% Bonds and Adjustment Income Mortgage 5% Bonds purchased.

note 6—reclassification of 1948 accounts:

The 1948 accounts set forth in the accompanying balance sheet and income account are for comparative purposes only and, in some instances, have been either reclassified or adjusted to afford proper comparison with the 1949 accounts. The published financial statements for the year 1948 show a loss of \$1,025,206.72 as compared with a profit of \$17,243 shown for that year in the accompanying statements. The difference of \$1,042,450 arises from treating the unpaid and undeclared interest in arrears on the Adjustment Income Mortgage 5% Bonds for the year as a direct charge to unappropriated surplus with contra credit to appropriated surplus instead of as a charge to the income account, in conformity with the change in accounting methods adopted in 1949 as explained in Note 3.

PRICE, WATERHOUSE & CO.

56 PINE STREET
NEW YORK 5

March 2, 1950

TO THE BOARD OF DIRECTORS OF
HUDSON & MANHATTAN RAILROAD COMPANY:

In our opinion, the accompanying balance sheet and related statements of income and earned surplus together with the notes thereto fairly present the financial position of Hudson & Manhattan Railroad Company at December 31, 1949 and the results of its operations for the year then ended, in conformity with the principles of accounting prescribed for electric railways by the Interstate Commerce Commission applied on a basis consistent with that of the preceding year except for the change in the accounting for interest in arrears explained in Note 3, which change has our approval. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE, WATERHOUSE & CO.

ADDENDUM TO THE PRESIDENT'S LETTER

I am pleased to call your attention to the fact that on March 7, 1950, as described on page 9 of the accompanying report, the Interstate Commerce Commission granted the Company the full increase from ten to fifteen cents in the interstate local fare. It is estimated that this will raise the annual passenger revenue by \$1,500,000.

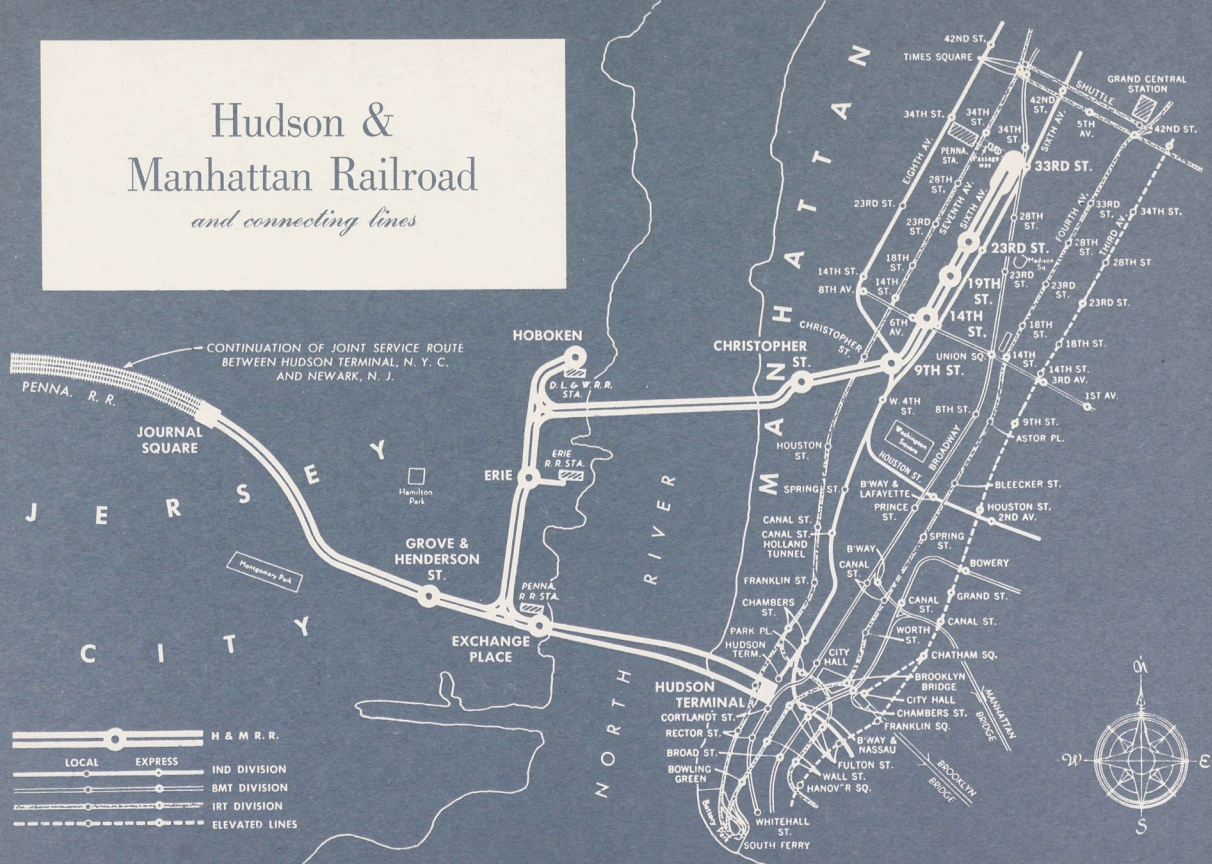
Morris Cohon
President

P A N Y

HUDSON & MANHATTAN RAILROAD COMPANY

Hudson & Manhattan Railroad

and connecting lines



Hudson & Manhattan Railroad Company

Annual Report to Stockholders

1950



Board of Directors

MORRIS COHON
Chairman of the Board
JOHN W. CAMPBELL
*Vice Chairman of the Board
and Chairman of the Executive Committee*
JAMES J. CRISONA
WALTER L. DRILL
WALTER J. FRIED

WILLIAM REID
President
FREDERICK V. GOESS
GEORGE P. LEWIS
JACK MARQUESEE
CHARLES PASSANNANTE

General Officers

WILLIAM REID
President
WALTER L. DRILL
Executive Vice President and Secretary
C. LLOYD EGNER
Vice President—Commercial Enterprises
TEDFORD E. SCHOONOVER
Vice President—Personnel
JOHN R. GROVE
Vice President—Railroad
WESLEY S. TWIDDY
Treasurer
LUELLA L. NEFF
Assistant Secretary

Officials

JOHN J. STERLING
General Superintendent
ISIDOR SPINRAD
Special Assistant to the President
JOHN T. MCCANN
Director of Labor Relations
RICHARD E. WHITE
Superintendent of Buildings
JOHN J. FRITSCH
Comptroller
ROBERT G. MCANDREW
Purchasing Agent
HAROLD KAHEN
General Attorney

General Counsel

CRISONA BROTHERS,
42 Broadway, New York 4, N. Y.

Real Estate Rental Agents

SPEAR & CO., INC.,
30 Church Street, New York 7, N. Y.

Registrar of Capital Stock

GUARANTY TRUST COMPANY OF NEW YORK,
140 Broadway, New York 7, N. Y.

Transfer Agent

REGISTRAR AND TRANSFER COMPANY,
50 Church Street, New York 7, N.Y.



Train platform of the modernized Grove Street Station, looking toward the bottom of the twin moving stairs. This and other pictures of the busy station, shown elsewhere in your report, were taken before the station was formally opened to the public.

To H & M Stockholders:

March 7, 1951



Transportation

Transportation in Metropolitan New York is a conglomeration of railroads, subways, bridges, tunnels, and highways; of trains, buses, taxis, and automobiles — all valiantly but vainly endeavoring to satisfy the ever-increasing demands of the world's greatest city.

In 1930 New York City's population was 6,930,000 and there were 10,901,000 people in Metropolitan New York. The 1950 census shows the City with a population of 7,835,000 and Metropolitan New York with 12,832,000.

Despite this population growth, no public official has taken effective action to bring into being a modern unified mass transportation system to transport passengers to and from the City. To be sure, there is the nucleus of such a unified mass transportation system in the Long Island Railroad east of the City; the Hudson & Manhattan and the Pennsylvania Railroads on the west; and the New York Central and New York, New Haven and Hartford Railroads on the north.

The Long Island Railroad has the advantage of being one coordinated system with direct access to two terminals in the City — Penn Station in Manhattan and the Atlantic Avenue Station in Brooklyn — with fairly easy access to the City subways.

In New Jersey, there is no integrated mass transportation system. The Pennsylvania Railroad carries some passengers through Newark to Penn Station in New York. Others ride to its Newark and Jersey City stations, where they transfer to Hudson & Manhattan trains. The Erie, Lackawanna, Baltimore & Ohio, Susquehanna, Reading, and Jersey Central Railroads have their stations at various locations on the Jersey side of the Hudson River. Passengers take ferries, buses, or the Hudson Tubes to get to New York.

New York City officials more than fifty years ago had vision enough to start building a vast mass transportation system within the City. But officials outside the City in the metropolitan area left mass transportation to various and sundry railroads. None of these railroads took advantage of bus feeder lines. So instead of building up and improving mass transportation facilities to comfortably carry passengers to the City, the railroads, under the competitive pressure of tax exempt bridges and tunnels, have been slipping fast. Some have disappeared entirely.

Railroads serving New Jersey and New York commuters carried 177,848,000 passengers in 1929. They now carry but 97,700,000 passengers. As a consequence, they have been unable to

In Metropolitan New York

extend their lines or modernize to the extent they should.

Some railroads which serve New Jersey commuters are in receivers' hands. Others are on the brink of the same predicament. Bus lines as a rule charge as much or more than the railroads to transport passengers to the City. They claim they can't make their operations pay without increased rates. They, of course, have no right-of-way to maintain, no taxes to pay on the right-of-way they use, and little if any real estate taxes to pay.

The states of New York and New Jersey, and local communities, have been forced to spend hundreds of millions of dollars to provide roadways for cars and buses. These governmental agencies can't keep up with the demand for wider and more highways. Furthermore, *the City can't accommodate the growing number of automobiles without choking its business sections.*

A 10-car subway train during rush hours carries 1,600 passengers and is operated by 3 men. It would require 25 buses, with 25 drivers, to carry the same number of passengers.

Buses during rush hours carry an average of sixty-five passengers. Automobiles, carrying anywhere from one to six persons in a car, average 1.7 persons on weekdays and 2.2. on weekends.

The roads over which they run were built and are paid for out of public funds. Tolls ranging from 10 cents to 50 cents are charged for use of the bridges, tunnels and some parkways. However, no portion of these receipts is paid to the political sub-divisions which built the connecting highways without which these bridges and tunnels could not be the financial success they are.

It is evident that commuter travel on rubber, inherently inefficient and costly, can never provide an adequate solution to the mass transportation problem.

The Pennsylvania Station in New York cannot now properly accommodate commuter traffic from either the east or west. Grand Central Station reached the saturation point some time ago. The Hudson Tubes, on the other hand, carried over 100 million passengers a year to and from the City in 1929. But by 1950, this had dropped to about 52 million, so your Company has plenty of room to carry additional passengers.

What is the answer to the problem of mass transportation in the metropolitan area?

First, the Governors of New York and New Jersey should inaugurate a study of what needs to be done to coordinate, extend and modernize the mass transportation systems in New York and New Jersey. They should also determine

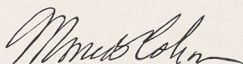
About William Reid

On October 1, 1950, William Reid took office as president of Hudson & Manhattan Railroad Company.

Mr. Reid brings to the Company knowledge and experience gained in a 37-year career in the service of the City of New York. Beginning as a bookkeeper, he worked his way up to such important posts as Chairman of the Board of Transportation, which operates vast and intricate New York subway and surface transit systems, and Deputy Mayor of the City. He resigned as Deputy Mayor to take over the reins of your Company.

William Reid is not only an able administrator but one of the country's lead-

ing authorities on rapid transit planning and finance. Your Company has been fortunate to obtain his services. I am sure that you who share my interest in the future of Hudson & Manhattan will agree that the Board has entrusted its leadership to a man of outstanding qualifications. Moreover, his five-year contract will ensure a continuity and stability of management that has long been needed.



Morris Cohon
Chairman of the Board

what steps are required to relieve congestion at Grand Central and Pennsylvania Stations. Such studies should be made in cooperation with New York City officials, as it is advisable and desirable to provide easy interchange between the City subway system and the Long Island Railroad, as well as the railroads from the north and west.

No one can estimate precisely at this time what the total cost of coordinating, modernizing and extending the mass transportation facilities in the metropolitan area will be. But one thing is certain; this area is growing very fast in all directions, so the longer the matter is postponed, the more dissatisfaction there will be among the traveling public and the more costly the job will eventually be.

Second, the City of New York is now

working on plans for a new subway to cost about five hundred million dollars. It will require six to eight years to build. Obviously, these plans should be integrated with the over-all solution to avoid unnecessary delay and additional cost.

Governor Alfred E. Driscoll of New Jersey, when he dedicated the Port of New York Authority's new bus terminal on December 14, 1950, said he proposed to call for an early meeting of all New York and New Jersey agencies concerned with rail, air and highway transportation to develop a coordinated program of traffic interchange. He said it was imperative that we put more people back into railroad cars if we are to solve this very pressing problem.

Shortly after the Long Island wreck on Thanksgiving eve, 1950, Governor Dewey appointed a committee to recom-

Hudson & Manhattan Railroad Company 1950 Annual Report

mend a program for the permanent operation of the Long Island Railroad. Under date of February 3, 1951, the Committee submitted a report to the Governor recommending the creation of the Long Island Transit Authority. A bill is now before the New York State Legislature which, if approved, will bring the Authority into being.

Some authority should be utilized or established by the States of New Jersey and New York, with specific mandate to combine, rehabilitate and expand existing commuter rail facilities, including terminals, in these states. The facilities of Hudson & Manhattan Railroad would be of keystone importance in any such system.

This Company will be glad to cooperate fully with any such authority in the exploration and development of plans for more efficient use of existing facilities. Here are two specific suggestions we feel to be of merit: First, huge parking and bus turn-around facilities can be provided at a location permitting easy interchange of passengers with our joint service trains. Second, a new train-bus-automobile interchange station can be provided at a location in Jersey City where the Erie Railroad and Lackawanna Railroad tracks cross. Limited new construction would allow Hudson Tube trains to provide fast, convenient service from these points to Manhattan.

Time is an important factor. It may well be that new tunnels must be built in addition to the present Pennsylvania Rail-

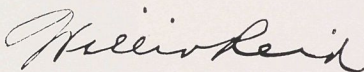
road and Hudson & Manhattan tunnels. Construction of new tunnels will require many years and entail tremendous cost. But it should not take more than two or three years — if defense efforts do not prevent it — to provide joint facility transfers in New York and New Jersey, at a convenient point, to consolidate, expand and modernize existing facilities.

However, the overall job will take from eight to ten years, at least, so immediate action is required by those with authority to get the work done.

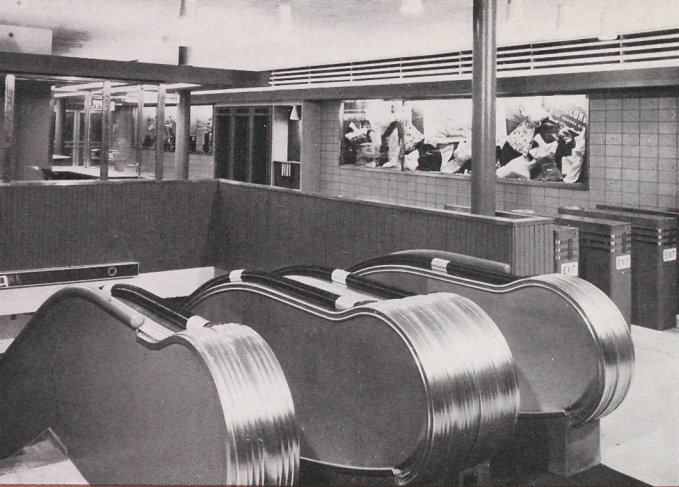
We of H & M plan to do everything we can to interest public officials at the earliest possible moment in a plan for unification of mass transportation in the metropolitan area of New York.

Since the Korea incident, Hudson & Manhattan's improvement program has been slowed but by no means stopped. We are hopeful that after the Government agencies have a settled program we will make still better progress in carrying through the modernization and rehabilitation program your Chairman discussed last year. In the meantime, we will do everything we can to give the public the best possible service.

The following pages are devoted to setting forth many matters of interest to the Company's stockholders.



WILLIAM REID
President



The street level lobby and moving stairs at the rebuilt Grove Street Station. The top photo shows the top of the moving stairs and one side of the spacious lobby. Below it is a view of the lobby from the street entrance, with the new concession stand at the right. At right is a picture taken from the bottom of the moving stairs.





The Railroad

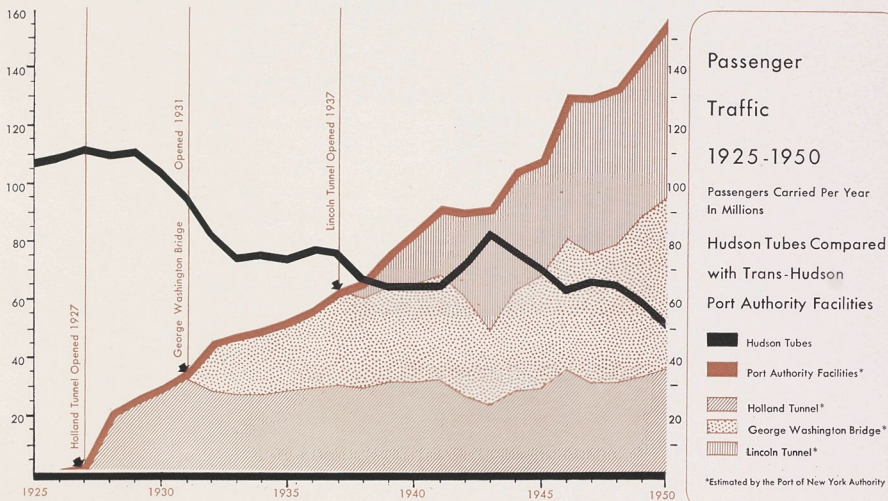
Passenger Revenue

Traffic on the Hudson Tubes continued to decline in 1950, despite the progress already achieved in our improvement program. As the accompanying chart suggests, much of this traffic apparently was lost to the tax-free trans-Hudson facilities of the Port of New York Authority. But this publicly-subsidized competition was only one of several factors in the loss. Both of the fare increases awarded us in 1950 resulted in substantial diversion of passengers from the Hudson Tubes to other means of transportation.

The number of passengers carried during the year declined from 60,545,-

511 in 1949 to 52,283,742 in 1950, a drop of 13.6 per cent. At the same time, the total passenger revenue increased from \$5,896,377 in 1949 to \$6,677,863, or 13.3 per cent.

The most important factor in these trends was an increase in the interstate local fare — for service between points in New York and points in Jersey City and Hoboken — from 10 cents to 15 cents on March 19, 1950. This service represents about 80 per cent of the Company's total passenger revenues. During the nine full months following the fare increase, the interstate local passenger revenue was up 23.7 per cent, or \$794,467, over the corresponding period of



Hudson & Manhattan Railroad Company 1950 Annual Report

1949. But the number of passengers declined 17.5 per cent.

On April 12, 1950, the New York intrastate fare was increased from 5 cents to 10 cents. This fare entitles a passenger to ride only between Christopher Street and 33rd Street in New York City. These fares contribute less than one per cent of the Company's total passenger revenue. During the eight full months of 1950 after this increase, the revenue from this service was up \$3,641, or 17.7 per cent over the corresponding period of 1949. The number of passengers, however, declined 41.2 per cent.

Steps are being taken to increase this Company's proportion of the fares received on the joint service which we operate with the Pennsylvania Railroad, and also to make application to the Interstate Commerce Commission for a further increase in the interstate local fare.

In the summer of 1950 the Company engaged in lengthy proceedings before the Public Utilities Commission of the State of New Jersey in an endeavor to increase the local intrastate New Jersey fare from 5 cents to 10 cents. Just before this report was printed, the Commission announced its denial of the increase. Plans are now being made to appeal this decision.

Grove Street Station

Several important elements of our long-range improvement program were completed in 1950. Substantial progress was made on others.

On June 22 your Company formally dedicated the rebuilt and modernized

Grove Street Station in Jersey City. Mayor John V. Kenny of Jersey City participated in a ceremony which opened to the people of his community one of the finest and most modern rapid transit stations in the New York metropolitan area.

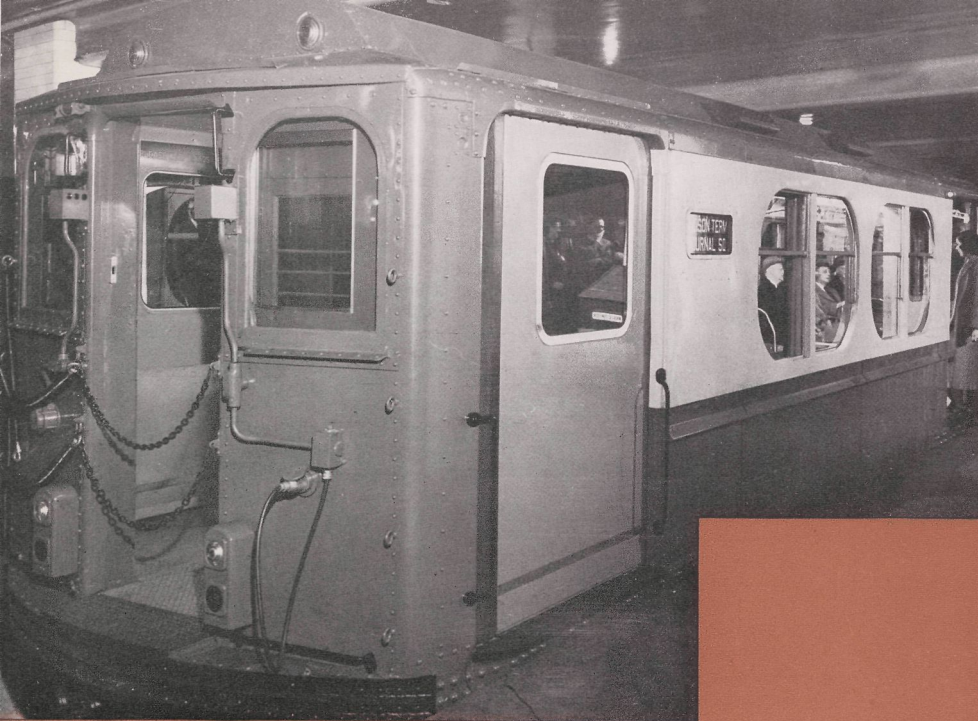
The reconstruction at Grove Street included the installation of two Motorstairs to carry passengers up and down from the train platform to the street, a specially designed system of fluorescent lighting for the train platform, and extensive modernization of the street level lobby.

The Grove Street Station lobby was redesigned to facilitate pedestrian flow during the rush hours. Six entrance doors lead into spacious and brilliantly lighted corridors on either side of a new concession stand and change booth.

Pilot Model Car

In the spring of 1950, a Hudson Tubes car which had been in service for more than 25 years was turned over to the American Car & Foundry Company for extensive rebuilding and modernization. This "engineering pilot model" of the Hudson Tubes car of the future was completed early in 1951 and placed in regular service in February. It represents new ideas on car decoration developed by industrial designer Henry Dreyfuss.

The rebuilt pilot model is now being tested in daily operation to check the practicality of new design and engineering features and to give the riding public a chance to express its reactions. Your Company hopes it will be financially able to modernize other cars on the basis of



The exterior of the modernized Hudson Tubes car seen at the top is a smooth metal surface painted in two-toned gray, including the center doors. The inside, bottom, left, has light gray walls and seats upholstered in blue and rust-colored plastic. Mirrors flank each of the two center doors.

operating experience with the pilot model.

Mechanical improvements include one-piece, cast steel trucks and multiple door control, both of which have also been introduced on some other Hudson Tubes cars. The advantages of these mechanical features are described below.

New Interlocking System

One of the most modern and efficient interlocking systems ever developed went into operation on the Hudson Tubes in mid-November.

This installation makes it possible for one man at Hudson Terminal to control all train movements between the Terminal and points beyond Exchange Place, Jersey City.

The basic function of an interlocking plant is to ensure the safe operation of trains over stretches of track on which there are many switches and signals. The term "interlocking" is used because the system is designed to lock a series of switches and signals into position for a particular train movement. This is done

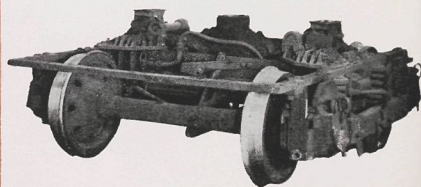
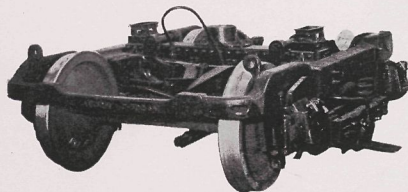
in such a way that no other train movement can be made over the interlocked trackage while the route is set up, except at a safe distance.

Safety Above All

Recent passenger train disasters on other railroads serving New York City have stimulated public interest in passenger safety. The safety procedures of all the railroads have been subjected to exceedingly critical scrutiny. This has actually brought credit to the Hudson Tubes, not only for its safety record over many years but for the thoroughness of its safety engineering.

An important factor in our safety record has been the elaborate and detailed program of inspection and maintenance we conduct continuously. But in addition to these precautions taken by the Company, the regulatory authorities of both New York and New Jersey, as well as the Interstate Commerce Commission, conduct frequent checks of the safety, on-time performance, and other aspects of our operations, even including the cleanliness of our cars.

One of the new one-piece, cast-steel trucks now being installed on all Hudson Tubes cars is shown at the left below. At the right is one of the old fabricated trucks which are being replaced.



Your Company for many years has gone to extraordinary precautions to minimize the possibility of "man failure" causing an accident on the Hudson Tubes. One of the most important of these precautions is the use of automatic tripping equipment, associated with the signal system in our tunnels.

If a motorman passes a stop signal, his train is stopped automatically by this tripping equipment. A tripper arm, extending up from the tracks, sets the brakes independently of the motorman. And when a train stops for any reason, other trains approaching it from behind are automatically halted at a safe distance behind it.

Another device which gives your railroad an extra margin of safety is the cab signal indicator with which all our joint service trains are equipped. This is a device in the motorman's cab which, along certain portions of the right-of-way, automatically reproduces each trackside signal as the train approaches it. It ensures that the motorman will have the signal clearly before him even in the thickest fog or the heaviest rain. And of course there is the customary "dead man control," which stops a train if the motorman loses consciousness and releases the pressure of his palm on a button.

No aspect of Hudson Tubes operation has been considered unsafe in recent years by either your Management or the state and federal authorities.

New Car Shop Facilities

Additional car repair and maintenance facilities are being provided at our Hen-

derson Street car yard in Jersey City. Construction of the new facilities has been delayed by the current shortage of structural steel. The excavation work and the driving of foundation piles have been completed, and present indications are that erection of the steel will get under way during June, 1951.

The car shop project entails not only the adding of a new building to the present one, but extensive alterations and repairs. Major rebuilding and modernization, as well as ordinary maintenance and repair work, will be handled by our own forces when the building is completed. In addition, the existing paint shop building is being altered to provide more store room space and new toilet, washroom, shower and lunchroom facilities for employees.

The Company has replaced a substantial number of obsolete and wornout machines and other equipment in the car shop in order to improve the quality of the work and the quantity of output. Among the new items of equipment and machinery which have been purchased are an Elms forcing wheel press, a geared head engine lathe, an auto turret lathe, an axle lathe, an open side cub planer, the rail bender mentioned elsewhere herein, and a Smith & Mills shaper. These are substantial machines, the cost of those listed aggregating \$108,550.

New Car Trucks

An important element in the improvement of our rolling stock is the substitution of new one-piece cast-steel trucks for the old-type fabricated trucks on our cars. The new trucks not only will make

Hudson & Manhattan Railroad Company 1950 Annual Report

our cars ride more smoothly and quietly but will reduce maintenance costs.

The new trucks have already been installed on 35 Hudson Tubes cars. This installation work will be speeded up when space is available in the new car shop.

Multiple Door Control

On October 30, 1950, your Company put multiple door controls into operation on all its trains except those operated in the joint service with the Pennsylvania Railroad. These controls make it possible for one or two trainmen to control all the doors of a train, whereas formerly one trainman was needed for each car. Multiple door control in local service made possible the reduction of our force of trainmen by 102 men.

Coin Turnstiles

In all of the Company's services except to Newark, tokens are used for the

collection of fares. A basic disadvantage of the token system is that every passenger must buy a token at the agent's booth, causing him delay and inconvenience.

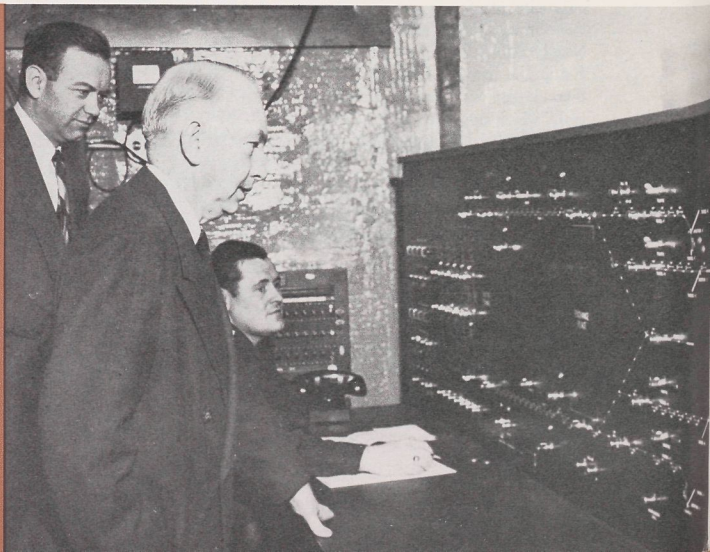
As one means of relieving this condition, your Company is experimenting with various types of turnstiles which will take a 15¢ fare in coins instead of a token. It is hoped that these devices will soon be substituted for many of the 106 token turnstiles now in use.

Other Improvements

An engineering survey revealed that, though the present signal system is safe and is well maintained, it has been in service so long that the cost of maintenance has become excessive. Accordingly, plans have been completed and equipment ordered for the replacement, over a period of two years, of the entire system of automatic signals.

Five new air compressors were in-

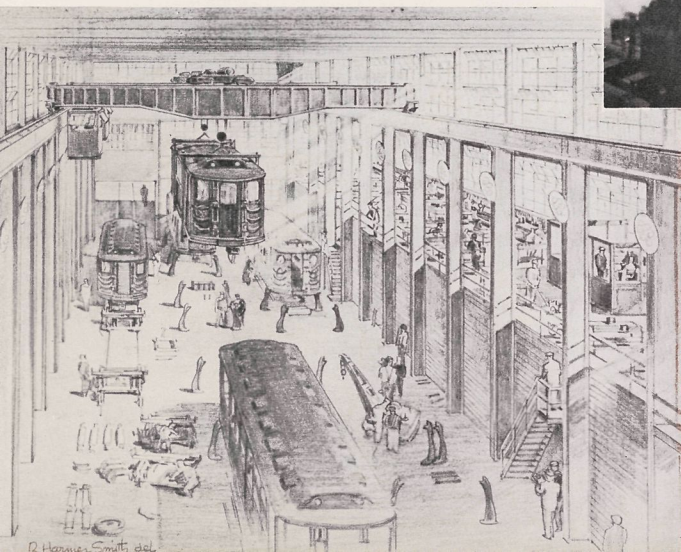
Control board of the Hudson Tubes' new interlocking plant at Hudson Terminal. By pushing three buttons, the towerman can accomplish a routing operation which required eight moves on the interlocking system previously used.



stalled during 1950 to provide compressed air for operation of switches, pumps and other equipment. They replace old compressors which had been in constant operation for many years but which are now used only in emergency.

The Hudson Tubes station at Journal Square in Jersey City is leased from the Pennsylvania Railroad. Your Company is currently cooperating with the Pennsylvania in extensive rebuilding of this station, featuring the installation of a pair of moving stairs to replace the two old passenger elevators now in use.

A new 250-ton railbender, put into operation in 1950, has resulted in economies not only in labor but in replacement of rails on curves. The new machine makes it possible for our own maintenance forces to bend heat-treated rails, which last almost twice as long on curves as ordinary rails, and which require less maintenance after they are laid.



Above, a pile driver prepares the foundation for the new car shop building in the Henderson Street Yard. At left is the architect's conception of the interior. The gallery at the right of this sketch will be equipped for light shop work.



Real Estate

The program of modernizing and otherwise improving the Hudson Terminal office buildings was considerably expanded in 1950. Substantial progress has already been achieved in this effort to put our real estate in the best possible condition to retain desirable, long-term tenants and to attract new ones.

During recent years many businesses have moved from the downtown Manhattan area to the midtown area, where many modern and attractive buildings have been built. It is apparent that our modernization program has contributed substantially to the success of the Terminal buildings in resisting this trend.

The extensiveness of these improvements is apparent to everyone who visits the buildings and compares their appearance and facilities with the conditions which existed even three years ago.

An important element in the modernization program was the initial step in 1950 of a long-term project to convert the buildings' power supply from direct to alternating current. This project is designed not only to meet the demands of increased power consumption by tenants but to make the buildings more attractive to potential tenants through the greater convenience of alternating current.

The elevator cabs and elevator lobbies have been restyled and redecorated. This has impelled several of our tenants

to redecorate and otherwise improve their own spaces, at their own expense. This action on their part has increased the attractiveness of the buildings as a whole, quite out of proportion to the actual expense to your Company.

Another major project, now nearing completion, is the modernization of the heating system, including conversion from coal to oil as the heat source. A new zone system of heat control throughout the buildings provides more uniform heat and substantially decreases the total consumption by reducing waste. The accompanying conversion from coal to oil, along with a conversion of the steam plant from high to low pressure, and elimination of obsolete standby generating equipment, will result in substantial savings. A new hot-water heating plant has also been provided for the annex to the 30 Church Street building.

Pursuant to an order of the New York City Department of Housing and Buildings, the management has undertaken a project to provide additional stairways in both Hudson Terminal buildings and to construct a third bridge across Dey Street, to connect the buildings at the 13th floor level. Substantial progress has been made on the stairways, but construction of the bridge has not yet been started.

New York City's preparations for civilian defense against air attack have

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focused new attention on the fact that the Hudson Terminal buildings are exceptionally well constructed. The steel framework of the buildings, which is considerably sturdier than it need be for the load it supports, provides an extra margin of safety against bomb concussion. The depth of the floor slabs is also greater than in most New York office buildings. The two-block-long concourse, a story-and-a-half below street level and protected by the 22-story buildings above it, is therefore one of the safest bomb shelters in Manhattan.

In recognition of these factors, the New York Department of Civil Defense has requested the Company to authorize the designation of the Hudson Terminal buildings as official air raid shelters. Each has been allotted a shelter capacity of 2,000 persons, in addition to the tenant population and a normal quota of visitors.

Improvements to the buildings effected during the past two years made it possible in 1950 to attract several desirable new tenants. However, relatively little space has been available for new

tenants, since the buildings have consistently been rented at over 98 per cent of capacity. At least a dozen large companies in the uptown and midtown areas have tried to obtain space at Hudson Terminal, but large areas such as they require have not been available.

An unusual real estate transaction concluded late in September with Gimbel Brothers, Inc., yielded your Company nearly half a million dollars. The sum was earmarked to help finance the modernization and improvement program.

The sale to Gimbel Brothers involved approximately 35,000 square feet of floor space on three different levels of property comprising part of Gimbel's Department Store, next to H & M's 33rd Street Station in Manhattan. Much of this space had long been rented from us by Gimbel's on a long-term lease, and it included portions of the Gimbel's basement occupied by the Rug, Men's Clothing and Women's Apparel departments.

The following table shows the revenues and net income from the Hudson Terminal buildings since 1940:

Year	Gross Income	% Increase Over 1940	Net Income	% Increase Over 1940
1940	\$1,608,596.75	—	\$349,616.89	—
1941	1,711,143.15	6.4	413,015.51	18.1
1942	1,837,558.62	14.2	517,955.88	48.1
1943	1,862,796.42	15.8	454,118.60	29.9
1944	1,958,176.08	21.7	425,211.10	21.6
1945	2,059,169.49	28.0	546,081.91	56.2
1946	2,171,097.80	35.0	549,461.73	57.2
1947	2,278,852.19	41.7	644,109.27	84.2
1948	2,409,574.13	49.8	723,914.39	107.1
1949	2,534,491.02	57.6	820,307.16	134.6
1950	2,640,917.56	64.2	722,152.74	106.6



Other Activities

Labor

Late in August the President of the United States ordered the Army to take over possession, control and operation of most of the country's railroads, including the Hudson & Manhattan. The action was taken in connection with a national wage dispute in which this Company was not involved. The Company retained full responsibility for operations and all income, and continued to pay all operating costs.

Early in 1951 the President ordered a wage freeze which prohibits your Company from meeting fully the demands of the unions. The long-range effect of this order can not yet be predicted, but indications are that some adjustments will be permitted. A general wage increase of even ten cents an hour would cost your Company an additional \$250,000 a year.

During 1950, the working force was reduced substantially, primarily as a

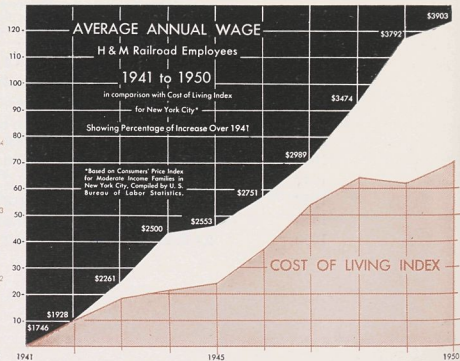
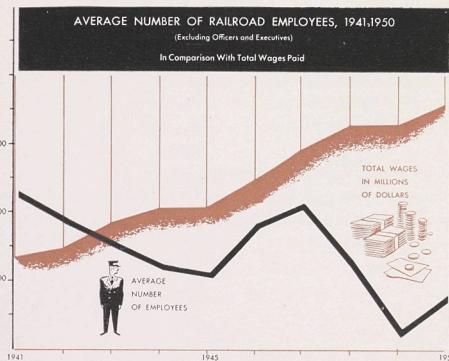
result of the institution of multiple door control on most of the trains, as reported elsewhere in this report.

The annual total cost of wages has mounted steadily during the past ten years, although the working force has diminished. Wage increases have more than compensated our employees for the increases in their cost of living during this period. The accompanying charts show the relationships between these trends since 1941.

Employee Relations

On February 15, 1951, your Company established the new position of Vice President-Personnel. Tedford E. Schoonover, former special assistant to the Executive Secretary of the National Mediation Board, was appointed to the post. He is responsible for all aspects of employee relations.

A Company newspaper for employees was started in July, 1950, to stimulate



friendlier relations among employees and between employees and management. The paper is published monthly and is called *Hudson Tube Tidings*. It prints news about Company achievements and problems, reports promotions and employee activities, and includes a personal news department to which a staff of employee correspondents contribute.

Public Relations

A Public Relations Department was established in May to take over func-

tions which previously had been handled personally by the top officers of the Company. The Department is responsible for promotional advertising, publicity, publication of the Company newspaper, handling of suggestions and complaints from passengers, and conducting a general informational service.

In accordance with its 1949 promise, made at the time that fare proceedings were in progress, your Company in 1950 contributed an additional \$7,500 to the Jersey City Community Fund.



Summary of Condition

Your Company's financial position improved slightly in 1950. As in other recent years, we operated at a deficit. The 1950 deficit, however, was \$471,890, compared with \$725,367 in 1949.

The most important contribution to this improvement was the increase in our interstate local fare from 10 to 15 cents, effective March 19.

The reduction in our deficit was substantial. But it is not the most significant measure of our achievements in 1950. Far more important is the progress made in our over-all improvement and rehabilitation program.

As your management has pointed out in previous annual reports, your Company will prosper only to the extent that this program is efficiently and expeditiously carried to completion. Only by achieving substantial improvements can

we win back passengers we have lost and ensure that our buildings can compete advantageously in the New York real estate market.

The improvement program will be a heavier drain on operating revenues in 1951 than during the past year. Some of the most important projects will be completed during 1951, and ICC accounting regulations require us to charge substantial parts of these expenditures to operating expenses.

The ultimate goal of the improvement program is lower operating costs and higher passenger revenues. But the immediate effect will be to increase our operating expenses for 1951 with heavy nonrecurring costs which will more than outweigh the economies we can expect during the year as a result of the improvement program.

Balance

Assets

December 31,

1950

1949

Road, Equipment and Other Property (Note 1):

Road and equipment	\$111,154,508	\$110,630,643
Less—Reserve for depreciation and retirements	8,704,846	8,599,174
	<u>\$102,449,662</u>	<u>\$102,031,469</u>
Other property	\$ 13,588,544	\$ 13,764,445
Less—Reserve for depreciation	8,716,993	8,517,973
	<u>\$ 4,871,551</u>	<u>\$ 5,246,472</u>
TOTAL ROAD, EQUIPMENT AND OTHER PROPERTY	<u>\$107,321,213</u>	<u>\$107,277,941</u>

Current Assets:

Cash	\$ 558,845	\$ 271,986
U. S. Treasury Bonds (market value \$147,900)	147,621	
Deposit with Trustee for payment of matured interest	125,177	158,884
Materials and supplies	831,001	744,329
Accounts receivable, accrued income and other current assets	236,030	295,487
TOTAL CURRENT ASSETS	<u>\$ 1,898,674</u>	<u>\$ 1,470,686</u>

Other Assets:

Property amortization fund (Note 2):

Cash	\$ 388,389	\$ 704,334
U. S. Treasury Bonds (market value \$1,037,400)	1,039,621	2,262,137
New York City Corporate Stock (market value \$117,700)	99,395	99,374
Hudson & Manhattan Railroad Company 5% Mortgage Bonds, at cost—		
First Lien and Refunding (par value \$4,758,000)	2,341,596	2,341,596
Adjustment Income		1,419,412
	<u>\$ 3,869,001</u>	<u>\$ 6,826,853</u>
Less—Company's 5% Mortgage Bonds par value of \$4,758,000 deducted from Funded Debt, per contra	2,341,596	3,761,008
	<u>\$ 1,527,405</u>	<u>\$ 3,065,845</u>

Insurance and casualty fund:

Cash	\$ 72,348	\$ 70,406
U. S. Treasury Bonds (market value \$962,200)	962,698	967,698
	<u>\$ 1,035,046</u>	<u>\$ 1,038,104</u>

Maintenance of property fund

171,042

Deposits:

In lieu of mortgaged property sold	664,165	174,172
Other—Government securities (market value \$43,400)	36,227	33,176
Investments and advances—affiliated companies	43,807	43,807
Deferred receivables, prepayments and unadjusted debits	239,216	66,688

TOTAL OTHER ASSETS	<u>\$ 3,545,866</u>	<u>\$ 4,592,834</u>
	<u>\$112,765,753</u>	<u>\$113,341,461</u>

Liabilities

Funded Debt—due February 1, 1957 (*Note 2*):

First Mortgage 4½% Bonds:

Issued (less purchased and cancelled \$2,000)	\$ 67,146,000	\$ 67,146,000
Less—Acquired through exchange and pledged	66,204,000	66,204,000
	<u>\$ 942,000</u>	<u>\$ 942,000</u>

First Lien And Refunding Mortgage 5% Bonds:

Issued (less purchased and cancelled \$4,192,200)	\$ 33,342,434	\$ 33,342,434
Less—Purchased and held	4,759,029	4,759,029
	<u>\$ 28,583,405</u>	<u>\$ 28,583,405</u>

Adjustment Income Mortgage 5% Bonds (*Note 3*):

Issued (less purchased and cancelled \$16,288,000)	\$ 16,814,000	\$ 21,463,000
Less—Purchased and held		4,649,000
	<u>\$ 16,814,000</u>	<u>\$ 16,814,000</u>

TOTAL FUNDED DEBT	\$ 46,339,405	\$ 46,339,405
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Current Liabilities:

Accounts and wages payable	\$ 613,174	\$ 538,034
Matured interest and unclaimed dividends payable	157,561	191,268
Accrued interest and rents payable	657,387	656,578
Accrued taxes	162,042	148,528
	<u>\$ 1,590,164</u>	<u>\$ 1,534,408</u>

Deferred Liabilities:

Insurance reserves	\$ 1,041,014	\$ 1,041,014
Maintenance reserves		171,280
Other reserves, deferred liabilities and unadjusted credits	91,311	69,131
	<u>\$ 1,132,325</u>	<u>\$ 1,281,425</u>

Capital Stock

—par value \$100 per share (*Note 4*):

Common:

Authorized—500,000 shares		
Issued and outstanding—399,999.5 shares	\$ 39,999,950	\$ 39,999,950

Preferred:

Authorized—100,000 shares		
Issued and outstanding—52,500 shares	5,250,000	5,250,000
	<u>\$45,249,950</u>	<u>\$ 45,249,950</u>

Earned Surplus, per accompanying statement:

Appropriated for deferred interest on Adjustment Income Mortgage 5% Bonds (<i>Note 3</i>)	\$ 7,944,279	\$ 7,103,579
Unappropriated (<i>Note 5</i>)	10,509,630	11,832,694
	<u>\$ 18,453,909</u>	<u>\$ 18,936,273</u>
TOTAL EARNED SURPLUS	<u>\$112,765,573</u>	<u>\$113,341,461</u>

Income Account

	Year ended December 31	
	1950	1949
RAILWAY OPERATING REVENUES:		
Passenger fares	\$6,677,863	\$5,896,377
Miscellaneous	573,291	572,349
TOTAL RAILWAY OPERATING REVENUES	<u>\$7,251,154</u>	<u>\$6,468,726</u>
RAILWAY OPERATING EXPENSES (Note 1):		
Maintenance of way and structures	\$ 903,942	\$ 929,670
Maintenance of equipment	717,222	584,491
Power	704,930	652,626
Transportation	2,895,525	2,610,895
General	864,942	715,233
TOTAL RAILWAY OPERATING EXPENSES	<u>\$6,086,561</u>	<u>\$5,492,915</u>
NET REVENUE FROM RAILWAY OPERATIONS	\$1,164,593	\$ 975,811
TAXES APPLICABLE TO RAILWAY OPERATIONS	944,101	930,356
RAILWAY OPERATING INCOME	<u>\$ 220,492</u>	<u>\$ 45,455</u>
RENTALS AND MISCELLANEOUS INCOME from Hudson Terminal build- ings and other real estate	\$2,784,672	\$2,667,832
Deduct:		
Operating expenses (Note 1)	1,614,765	1,441,248
Taxes applicable to real estate operations	368,694	321,976
NET INCOME OTHER THAN RAILWAY OPERATIONS	\$ 801,213	\$ 904,608
INTEREST FROM INVESTMENTS	59,018	100,837
TOTAL INCOME	<u>\$1,080,723</u>	<u>\$1,050,900</u>
INCOME DEDUCTIONS OTHER THAN BOND INTEREST:		
Rent for tracks, yards, terminals and miscellaneous deductions	81,058	84,631
INCOME BEFORE BOND INTEREST	<u>\$ 999,665</u>	<u>\$ 966,269</u>
INTEREST ON FUNDED DEBT:		
First Mortgage 4½% Bonds	\$ 42,390	\$ 42,390
First Lien And Refunding Mortgage 5% Bonds	1,429,165	1,431,080
Adjustment Income Mortgage 5% Bonds (Note 3): Declared 1950—0; 1949—1.252%		218,166
TOTAL INTEREST ON FUNDED DEBT	<u>\$1,471,555</u>	<u>\$1,691,636</u>
LOSS FOR THE YEAR, per accompanying earned surplus statement	<u>\$ 471,890</u>	<u>\$ 725,367</u>

Earned Surplus

EARNED SURPLUS—APPROPRIATED (*Note 3*):

For cumulative unpaid and undeclared interest in arrears at January 1, 1950, on Adjustment Income Mortgage 5% Bonds outstanding—42.248% of \$16,814,000	\$ 7,103,579
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Addition:

Appropriation for undeclared interest in arrears, 5% on \$16,- 814,000 bonds outstanding at December 31, 1950	\$40,700
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Balance, December 31, 1950 (47.248% of \$16,814,000) per accom- panying balance sheet	\$ 7,944,279
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EARNED SURPLUS—UNAPPROPRIATED (*Note 5*)

Balance, January 1, 1950	\$11,832,694
Miscellaneous credits	6,084
	\$11,838,778

Deductions:

Loss for the year ended December 31, 1950, per accompanying income account	\$ 471,890
Appropriation for undeclared interest in arrears on Adjustment Income Mortgage 5% Bonds 5% on \$16,814,000 bonds out- standing at December 31, 1950 (<i>Note 3</i>)	840,700
Miscellaneous debits	16,558
	1,329,148

BALANCE, DECEMBER 31, 1950, per accompanying balance sheet	\$10,509,630
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Notes to Financial Statements

Note 1 — Properties:

The amount shown for road and equipment at December 31, 1950 includes investments in perpetual franchises and other intangibles amounting to approximately \$43,850,000. It also includes rights of way and other land amounting to approximately \$6,900,000. No amortization has been provided for these investments in conformity with the principles of accounting prescribed by the Interstate Commerce Commission.

The provision for depreciation of road and equipment (exclusive of franchises, other intangibles, rights of way and other land mentioned above) which was charged to income amounted to \$522,401 in 1950 and \$527,390 in 1949. This is determined on the basis of depreciation rates prescribed by the Interstate Commerce Commission. The provision for depreciation of other property, comprising the Hudson Terminal Buildings and other real estate, which was charged to income amounted to \$199,680 in 1950 and \$197,569 in 1949.

The reserve for depreciation and retirements applicable to road and equipment at December 31, 1950 includes \$301,527 for the anticipated retirement of certain property. The depreciation reserve amounting to \$8,403,319 at December 31, 1950 does not purport to measure the actual amount of the physical depreciation or obsolescence of the road and equipment.

Note 2 — Funded Debt:

First Mortgage $4\frac{1}{2}\%$ Bonds amounting to \$66,204,000 par value were reacquired in exchange for \$33,102,000 par value of First Lien and Refunding Mortgage 5% Bonds and \$33,102,000 par value of Adjustment Income Mortgage 5% Bonds and are pledged as security for the two latter issues.

The outstanding First Mortgage $4\frac{1}{2}\%$ Bonds are convertible, at the option of the holders, at par into common stock at the rate of \$110 per share.

At December 31, 1950 and December 31, 1949 the company held in its treasury \$1,029 par value of First Lien And Refunding Mortgage 5% Bond scrip. In addition thereto the assets segregated in the property amortization fund included, at December 31, 1950, \$4,758.-000 par value First Lien And Refunding Mort-

gage 5% Bonds purchased at a cost of \$2,341,596 and at December 31, 1949, \$4,758.-000 par value First Lien and Refunding Mortgage 5% Bonds and \$4,649,000 par value Adjustment Income Mortgage 5% Bonds purchased at a cost of \$3,761,008. The relative par value and cost of these bonds has been deducted from the respective funded debt liabilities and property amortization fund assets in the accompanying balance sheet.

Note 3 — Interest on Adjustment Income Mortgage 5% Bonds:

The mortgage indenture of the Adjustment Income Mortgage 5% Bonds provides that interest on these bonds shall be at the rate of 5% and cumulative from January 1, 1920. Interest is due and payable only when and as declared by the Board of Directors out of available accumulated "surplus income," as determined semi-annually by the Board. At maturity of the bonds (February 1, 1957) the company is obligated to pay interest at the rate of 5% per annum from January 1, 1920 to the extent that such interest shall not theretofore have been paid.

The cumulative unpaid and undeclared interest in arrears at December 31, 1950 amounted to 47.248% or \$7,944,279. At December 31, 1949, it amounted to 42.248% or \$7,103,579.

During 1950 no "surplus income" was available for payment of interest as a loss of \$471,390 was incurred. Consequently the Board of Directors did not declare any interest to be due and payable. Conforming with the accounting method adopted in 1949, the unpaid and undeclared interest for 1950 amounting to \$840,700 was transferred from unappropriated to appropriated earned surplus.

Note 4 — Capital Stock and Dividends:

Of the authorized common stock 56,292 unissued shares are held for conversion of 52,500 shares of preferred stock and \$942,000 par value of First Mortgage $4\frac{1}{2}\%$ Bonds. They are convertible, at the option of the holders, at the rate of \$100 par value per share of common stock for \$110 par value of preferred stock or First Mortgage $4\frac{1}{2}\%$ Bonds.

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The issued and outstanding shares of common stock include scrip for fractional shares aggregating 10.2125 shares and 45.65 shares held for exchange of common stock of a predecessor company.

The preferred stock is entitled to dividends from yearly profits up to 5% per annum in preference to the common stock. In the case of distribution of assets other than profits the preferred stock is entitled to preference over the common stock up to the par value thereof, but to no further share of any profits or assets. The preferred stock is noncumulative and is convertible into common stock on the basis outlined above.

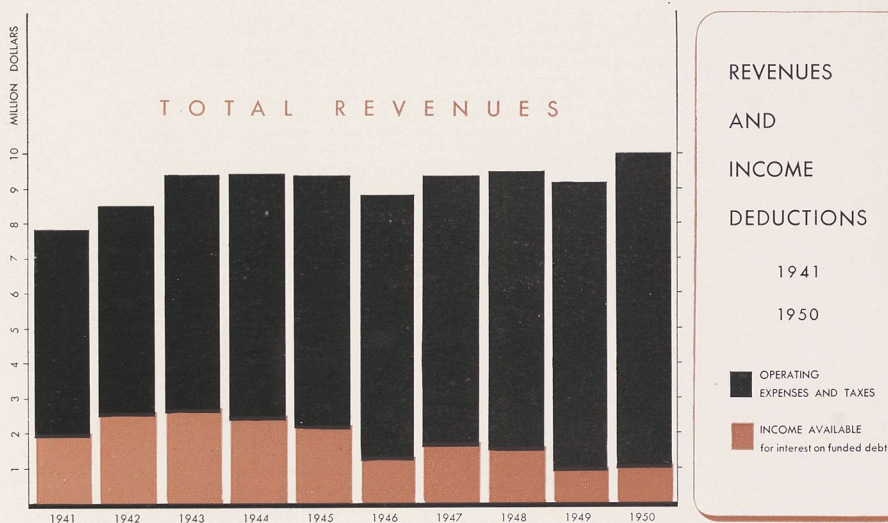
The issued and outstanding shares of preferred stock include scrip for fractional shares

aggregating 7.6375 shares and 70.6125 shares held for exchange of preferred stock of a predecessor company.

The mortgage indenture of the Adjustment Income Mortgage 5% Bonds provides that the company will not declare or pay dividends on any shares of its capital stock at any time when the cumulative interest in arrears on these bonds is either unpaid or undeclared.

Note 5 — Earned Surplus

The earned surplus arises principally from discount representing the excess of the par value over cost of the company's First Lien And Refunding Mortgage 5% Bonds and Adjustment Income Mortgage 5% Bonds purchased.



PRICE WATERHOUSE & Co.

56 PINE STREET

NEW YORK 5

March 7, 1951

TO THE BOARD OF DIRECTORS OF

HUDSON & MANHATTAN RAILROAD COMPANY:

In our opinion, the accompanying balance sheet and related statements of income and earned surplus together with the notes thereto fairly present the financial position of Hudson & Manhattan Railroad Company at December 31, 1950 and the results of its operations for the year then ended, in conformity with the principles of accounting prescribed for electric railways by the Interstate Commerce Commission applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & Co.

"Dream Car" and Transportation Dreams

The Hudson & Manhattan Railroad Company unveiled its "dream car" yesterday, and a nice car it is. In fact, some of those passengers who happened into the "dream car" on its first run from Hudson Terminal to Hoboken yesterday afternoon thought they were on the wrong train.

The car, pilot model of what the road hopes all its cars will be like not too long hence, is rebuilt on the basic frame of one of the old cars, but it is quite new, inside and out, and remarkably improved from its fine fluorescent lights to the smoother riding steel trucks.

The car is a physical evidence that the railroad is really going through with its promised program of improvements, something that transportation companies do not always do.

An interesting sidelight on the unveiling of the car was a remarkably frank discussion by Morris Cohon, chairman of the board of the tube company, concerning the future prospects of H. & M. and all rapid transit systems.

Very bluntly, Mr. Cohon stated that rapid transit system operation is uneconomic for private companies. He stated frankly that the company was spending money that it did not have and would ask—he did not say when—for higher fare.

He said that actually, even if the company got a fare double its present 15 cents, it could not operate with profit if it supplied the equipment, service and safety devices it should have. Incidentally, Mr. Cohon commented that H. & M. was going to continue to put safety first, even at times at expense of speed, and that is very good policy, even though delays are irksome.

In a thumbnail sketch of his glimpse into the future for rapid transit sys-

tems, Mr. Cohon expressed the view that eventually every such system in the United States would have to be taken over by a municipality, state, or "some sort of authority" if it were to be maintained.

He said that while the Port of New York Authority was not interested now in taking over the H. & M., he thought it was the duty of such public agencies to acquire vital rapid transit systems, rather than to concentrate on road building, which, it was his opinion, could never solve the commuter problem.

There will be few to disagree with him on that. In fact, it is becoming increasingly apparent that the failure of Hudson County to develop even to approximation of its potentialities is because it has no north and south rapid transit system.

There are a great many factors involved in the long look at commuter transportation problems. Cities and towns do not want to give up the taxes they would lose if rapid transit systems became public property. On the other hand, their losses become even greater if inadequate transportation causes them to deteriorate. Progress is made by looking toward the future and doing something to make it better than the past.

Rapid transit is one of the things that have been sadly neglected on this side of the Hudson, while the other side has been taking away the business and the people. It is something for every municipal government and the state government and the Port Authority to think about, do something about. Many golden opportunities of Hudson County have slipped away in the past. But that should be no reason for them to slip away in the future.

Hudson & Manhattan Railroad

and connecting lines

